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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

BEFORE THE HONORABLE YVONNE GONZALEZ ROGERS, JUDGE

PAYMENTONE CORPORATION,	)	
	)	
PLAINTIFF,	)	NO. C-11-2186 YGR
	)	
VS.	)	WEDNESDAY, DECEMBER 19, 2012
	)	
PAYPAL, INC.,	)	OAKLAND, CALIFORNIA
	)	
DEFENDANT.	)	CLAIMS CONSTRUCTION
_____	)	

**REPORTER'S TRANSCRIPT OF PROCEEDINGS**

**APPEARANCES:**

**FOR PLAINTIFF:** NIRO, HALLER & NIRO  
181 WEST MADISON STREET, SUITE 4600  
CHICAGO, ILLINOIS 60602  
BY: MATTHEW G. MC ANDREWS, ESQUIRE  
KARA L. SZONDOWSKI, ESQUIRE  
OLIVER D. YANG, ESQUIRE

**FOR DEFENDANT:** FISH & RICHARDSON  
12390 EL CAMINO REAL  
SAN DIEGO, CALIFORNIA 92130  
BY: JUANITA R. BROOKS, ESQUIRE  
  
FISH & RICHARDSON  
500 ARGUELLO STREET, SUITE 500  
REDWOOD CITY, CALIFORNIA 94063  
BY: KATHERINE K. LUTTON, ESQUIRE

(APPEARANCES CONTINUED)

**REPORTED BY:** DIANE E. SKILLMAN, CSR 4909, RPR, FCRR  
OFFICIAL COURT REPORTER

TRANSCRIPT PRODUCED BY COMPUTER-AIDED TRANSCRIPTION

**FOR DEFENDANT:**

FISH & RICHARDSON  
1425 K STREET NW, SUITE 1100  
WASHINGTON, DC 20005

BY: STEPHEN A. MARSHALL, ESQUIRE

**ALSO PRESENT:**

JOE LYNAM, CEO PAYMENTONE  
EVAN MEYER, CFO PAYMENTONE  
MARK SNYCERSKI, VP OF ENGINEERING

1 WEDNESDAY, DECEMBER 19, 2012

10:20 A.M.

2 P R O C E E D I N G S

3 **THE CLERK:** CALLING CIVIL ACTION 11-2186 PAYMENTONE  
4 VERSUS PAYPAL.

5 COUNSEL, PLEASE STATE YOUR APPEARANCES.

6 **MR. MC ANDREWS:** ON BEHALF OF PLAINTIFF, PAYMENTONE  
7 CORPORATION, MATT MC ANDREWS.

8 **MS. SZPONDOWSKI:** ON BEHALF OF PAYMENTONE KARA  
9 SZPONDOWSKI.

10 **MR. YANG:** OLIVER YANG ALSO ON BEHALF OF PAYMENTONE.

11 **MR. MC ANDREWS:** YOUR HONOR, WOULD YOU LIKE ME TO  
12 INTRODUCE OUR CLIENT REPRESENTATIVES?

13 **THE COURT:** I WOULD.

14 **MR. MC ANDREWS:** WE HAVE JOE LYNAM, CHAIRMAN AND CEO  
15 OF PAYMENTONE. WE HAVE EVAN MEYER, THE CHIEF FINANCIAL  
16 OFFICER OF PAYMENTONE. AND MARK SNYCERSKI, WHO IS THE CHIEF  
17 TECHNOLOGY OFFICER. SO WE HAVE THREE OF THE CHIEFS HERE WITH  
18 US, AND I AM THE INDIAN.

19 **THE COURT:** GOOD MORNING.

20 **MS. BROOKS:** GOOD MORNING, YOUR HONOR, JUANITA  
21 BROOKS, KATHY LUTTON AND STEVE MARSHALL FROM FISH & RICHARDSON  
22 ON BEHALF OF PAYPAL.

23 WE ALSO HAVE PRESENT FROM IN-HOUSE COUNSEL HELEN LI AND  
24 RACHEL SHICOFF FROM EBAY.

25 OUR PRESENTATION TODAY, YOUR HONOR, WITH THE COURT'S

1 PERMISSION, MS. LUTTON IS GOING TO HANDLE THE TERMS -- THE  
2 DISPUTED TERMS OF THE '049 PATENT. MR. MARSHALL AND I HAVE  
3 SPLIT UP THE DISPUTED TERMS OF THE '500 AND THE '504 PATENTS,  
4 AND I WILL BE HANDLING THE ONE DISPUTED TERM OF OUR  
5 AFFIRMATIVE PATENT, THE '917.

6 **THE COURT:** OKAY.

7 **MS. BROOKS:** THANK YOU.

8 **THE COURT:** SO I REALIZED THAT I HAD KIND OF CHANGED  
9 THE WAY I'VE DONE MY MARKMANS, BUT I AM NOT GOING TO DO THAT  
10 WITH YOU BECAUSE I DIDN'T PUT YOU ON NOTICE OF IT.

11 AND I ASSUMED THAT YOU WOULD HAVE ALL WORKED ON THESE  
12 BEAUTIFUL PRESENTATIONS AND WERE READY TO GO THE WAY YOU  
13 INTENDED TO GO, SO I AM GOING TO LET YOU GO THAT THIS TIME.

14 FOR FUTURE REFERENCE, WHAT I HAVE BEEN DOING AND WHAT I  
15 FIND TO BE VERY HELPFUL IS THAT I'VE HAD THE PARTIES NOW DO  
16 POINT COUNTERPOINT BY TERM. AND FOR ME THAT TENDS TO BE MOST  
17 HELPFUL BECAUSE I THINK ABOUT THESE THINGS IN TERMS.

18 SO, HAVING HEARD THE WAY I NOW DO IT, I HAVE ONE PARTY  
19 START WITH THEIR ARGUMENT REGARDING THE TERM AND THEN I GO TO  
20 THE OTHER PARTY AND HAVE THEM ARGUE. AND THAT ALLOWS ME TO  
21 KIND OF FLUSH IT ALL OUT IN ONE SITTING OR IN ONE COHESIVE  
22 PERIOD BEFORE MOVING ON TO THE NEXT TERM.

23 BUT I AM NOT GOING TO DO THAT BECAUSE I SUSPECT YOU'VE GOT  
24 A NICE, COHESIVE PRESENTATION AND ESPECIALLY IN LIGHT OF MY  
25 FRUSTRATION THE LAST TIME I WAS IN FRONT OF YOU, WHICH I ADMIT

1 I SLEPT 11 HOURS THAT NIGHT, BY THE WAY, SO I WAS VERY TIRED.  
2 I DECIDED I WOULD NOT PUT YOU THROUGH THAT LAST-MINUTE CHANGE.

3 BUT THAT DOESN'T MEAN THAT I MIGHT NOT ASK SOME QUESTIONS  
4 OF THE OTHER SIDE WHEN WE GO THROUGH IT.

5 **MR. MC ANDREWS:** WE HAVE CONFERRED, AND I THINK WE  
6 ARE GOING TO GO ALONG WITH YOUR HONOR'S WAY. WE HAVE AGREED  
7 TO GO TERM BY TERM, WHICH I THINK IS A BETTER FORMAT FOR THE  
8 PARTIES AS WELL AS THE COURT, IF THAT'S ALL RIGHT.

9 **THE COURT:** GREAT.

10 **MS. BROOKS:** WE ARE PREPARED TO DO THAT, YOUR HONOR.  
11 WE HAVE SPLIT THE SLIDE DECKS ACCORDINGLY.

12 **THE COURT:** I DIDN'T TELL YOU I WAS DOING THAT.

13 **MS. BROOKS:** WE JUST KNEW.

14 **THE COURT:** MAYBE IT'S GETTING OUT THERE. YOU NEVER  
15 KNOW. GOOD ENOUGH.

16 LET ME JUST PULL UP MY NOTES AND THEN WE WILL GET STARTED.  
17 MR. MC ANDREWS, CORRECT?

18 **MR. MC ANDREWS:** IT IS, YOUR HONOR, THANK YOU.

19 I JUST WANTED TO MAKE CERTAIN EVERYONE'S MONITOR IS  
20 PROJECTING THIS IN THE CORRECT LANDSCAPE.

21 **THE COURT:** I DO HAVE THAT LANDSCAPE UP.

22 THANK YOU. OKAY. I AM READY. THANK YOU.

23 **MR. MC ANDREWS:** GOOD MORNING, YOUR HONOR.

24 **THE COURT:** GOOD MORNING.

25 **MR. MC ANDREWS:** WE HAVE GENERALLY TARGETED THE TWO

1 TO THREE HOURS' TIME PERIOD ALLOTTED FOR A MARKMAN THAT I  
2 THINK IS SPECIFIED IN YOUR STANDING ORDER. I DON'T KNOW  
3 WHETHER OR NOT YOU WERE EXPECTING --

4 **THE COURT:** THAT IS ALL I WAS EXPECTING.

5 **MR. MC ANDREWS:** OKAY. I WAS ACTUALLY GOING TO SAY A  
6 SHORTER PRESENTATION BY THE PARTIES.

7 **THE COURT:** IF I DON'T SPECIFY, THEN I THINK IT'S  
8 ONLY FAIR THAT YOU ARE ALLOWED WHAT'S IN MY STANDING ORDER,  
9 AND THAT'S WHAT WAS THERE.

10 GO AHEAD.

11 **MR. MC ANDREWS:** VERY WELL. I WAS NOT THE LAST ONE  
12 IN ON THE JOKE. I REALIZE THAT WHAT WE ARE LOOKING AT, THIS  
13 NICE BACKDROP OF THE OPENING SLIDE, OF COURSE IS NOT OAKLAND,  
14 CALIFORNIA. IT'S WHAT I SAW THIS MORNING LOOKING ACROSS THE  
15 BAY. I USED ONE OF OUR CLIENT'S SOURCE SLIDES.

16 SO WE PREPARED A VERY, VERY BRIEF DECK OF SLIDES. THERE  
17 ARE ONLY SIX SUBSTANTIVE SLIDES HERE. THEY REALLY COVER SOME  
18 OF THE BASIC PRINCIPLES OF CLAIM CONSTRUCTION.

19 WHY ARE WE HERE. YOU WILL SEE OTHER -- MANY MORE THINGS  
20 THAT WE WANT TO SHARE WITH THE COURT, BUT THAT WILL COME FROM  
21 THE SOURCE MATERIAL, THE PATENTS THEMSELVES, IN A FEW  
22 INSTANCES SOME OF THE BRIEFING OF THE PARTIES, AND THE  
23 PROSECUTION HISTORY OF THE PATENT.

24 SO, LET'S TURN TO SOME OF THE OVERRIDING PRINCIPLES OF  
25 CLAIM CONSTRUCTION. AND REALLY THE FRAMEWORK THAT THE SUPREME

1 COURT SET OUT FOR THE COURTS AND PATENT COUNSEL WITH ITS 1995  
2 DECISION IN THE MARKMAN CASE.

3 **THE COURT:** I AM GOING TO INTERRUPT ALREADY.

4 DO I HAVE A HARD COPY OF YOUR SLIDES?

5 **MR. MC ANDREWS:** YOU DO.

6 I AM SORRY, I GAVE -- I GAVE YOU ONE. I THOUGHT THAT  
7 WAS -- I AM SORRY ABOUT THAT, YOUR HONOR. I THOUGHT WE WERE  
8 HANDING THAT UP.

9 (SLIDES HANDED TO COURT.)

10 SO, WHY ARE WE HERE? WHAT IS CLAIM CONSTRUCTION ALL  
11 ABOUT? IN THE BROADEST AND MOST GENERAL AND MOST IMPORTANT  
12 SENSE, WE ARE HERE BECAUSE THE CLAIMS THEMSELVES DEFINE THE  
13 METES AND THE BOUNDS OF MY CLIENT'S PROPERTY RIGHT WITH  
14 RESPECT TO ITS THREE PATENTS IN SUIT AND OF COURSE WITH  
15 RESPECT TO PAYPAL'S PROPERTY RIGHT WITH RESPECT TO THE PATENT  
16 AND THE CLAIMS IT'S ASSERTED IN THIS LITIGATION.

17 THAT PROPERTY RIGHT IS VERY MUCH, I THINK, A SIMPLE AND  
18 GOOD ANALOGY IS A FENCE. IT TELLS THE PUBLIC WHERE JOE  
19 LYNAM'S PROPERTY BEGINS AND WHERE THEIR INFRINGEMENT STARTS IF  
20 THEY CROSS THAT LINE.

21 IT ALSO -- THE CLAIM LANGUAGE AND CLAIM CONSTRUCTION IS  
22 IMPORTANT AS WELL BECAUSE IN THE CASE OF INFRINGEMENT, IT  
23 DEFINES THE REMEDY IN TERMS OF INFRINGEMENT. YOU CAN'T, YOU  
24 CAN'T BLINDLY READ CLAIMS OR CLAIM TERMS ONTO AN ACCUSED  
25 PRODUCT, YOU CERTAINLY CAN'T DO IT IN A VACUUM. SO AS THE

1 SUPREME COURT HAS SAID, THE FEDERAL CIRCUIT HAS SAID, AND NOW  
2 IT IS THE DISTRICT COURT'S PRACTICE, IT'S THE JOB OF THE COURT  
3 TO CONSTRUE DISPUTED CLAIM TERMS VERY MUCH LIKE COURTS HAVE  
4 HISTORICALLY GONE THROUGH THE EXERCISE OF CONSTRUING TERMS IN  
5 A CONTRACT.

6 NOW, IN A RECENT CASE, THE THORNER CASE, THAT I ACTUALLY  
7 ARGUED AT THE FEDERAL CIRCUIT, THE COURT SAID IN ITS OPINION:

8 "THE PATENTEE IS FREE TO CHOOSE A BROAD TERM AND  
9 EXPECT TO OBTAIN THE FULL SCOPE OF ITS PLAIN AND  
10 ORDINARY MEANING UNLESS THE PATENTEE EXPLICITLY  
11 REDEFINES THE TERM OR DISAVOWS ITS FULL SCOPE."

12 WE ARE TALKING ABOUT TWO EXCEPTIONS REALLY TO THE  
13 FUNDAMENTAL RULE THAT WE LOOK TO THE PRIMACY OF THE CLAIM  
14 LANGUAGE ITSELF. WE FOCUS ON WHAT THE INVENTOR SAID WHEN THEY  
15 DRAFTED THEIR CLAIM 1, THEIR INDEPENDENT CLAIM 2, THEIR  
16 DEPENDENT CLAIM 10, AND SO FORTH. FROM THERE, THERE ARE  
17 CERTAIN EXCEPTIONS THAT APPLY, BUT THERE ARE VERY, VERY STRICT  
18 REQUIREMENTS THAT THE FEDERAL CIRCUIT HAS IMPOSED IN ORDER FOR  
19 THOSE EXCEPTIONS TO OBTAIN IN THE PARTICULAR CASE.

20 ORDINARILY, AGAIN, BACK TO THE LANGUAGE OF THE CLAIMS,  
21 THEY ARE GIVEN THEIR ORDINARY AND CUSTOMARY MEANING AS  
22 UNDERSTOOD BY ONE OF SKILL IN THE ART -- WE TALKED A LITTLE  
23 BIT ABOUT THAT THE LAST TIME WE WERE HERE FOR THE TUTORIAL --  
24 WHEN READ IN THE CONTEXT OF THE SPECIFICATION AND THE  
25 PROSECUTION HISTORY.



1           AGAIN, THIS CONSTRUCTION, LOOKING AT THE LANGUAGE OF THE  
2           CLAIMS THEMSELVES, AND THEN NOT DEVIATING FROM THAT ORDINARY  
3           MEANING UNLESS THERE ARE EXCEPTIONS, HAS BEEN REPEATED. THIS  
4           THEME HAS BEEN REPEATED THROUGHOUT THE CASE LAW.

5           THESE ARE ALSO IMPORTANT ISSUES AS YOUR HONOR HAS SEEN IN  
6           OUR BRIEFING. THERE ARE SOME DISPUTES ABOUT WHETHER OR NOT  
7           EITHER OF THE PARTIES OR BOTH ARE TRYING TO READ SPECIFIC  
8           LIMITATIONS OUT OF THE EMBODIMENTS OR EVEN THE PREFERRED  
9           EMBODIMENTS THAT ARE DISCLOSED IN THE SPECIFICATION OR THE  
10          WRITTEN DESCRIPTION OF THE PATENTS.

11          BACK TO THE CONCEPT OF THE PRIMACY OF THE CLAIM LANGUAGE.  
12          APART FROM THE WRITTEN DESCRIPTION, THE PROSECUTION HISTORY,  
13          THE CLAIMS THEMSELVES PROVIDE SUBSTANTIAL GUIDANCE AS TO THE  
14          MEANING OF PARTICULAR CLAIM TERMS. THIS WAS THE PHILLIPS  
15          CASE, WHICH IS THE FEDERAL CIRCUIT'S, THE FIRST SEMINAL  
16          DECISION ON CLAIM CONSTRUCTION FOLLOWING THE MARKMAN DECISION.

17          AND THE FEDERAL CIRCUIT, IF YOU WILL, ADJUSTED ITS SAILS  
18          WITH RESPECT TO THE ANALYSIS THE COURTS ARE TO APPLY. AGAIN  
19          THEY FOCUS ON THE PRIMACY OF THE CLAIMS SUBJECT TO EXCEPTIONS.

20          THE CONTEXT IN WHICH THE TERM IS USED IN THE ASSERTED  
21          CLAIM CAN BE HIGHLY INSTRUCTIVE. THAT IS SELF-EVIDENT. IT'S  
22          A THEME YOU HAVE SEEN IN PAYMENTONE'S BRIEF. WE THINK FOR  
23          MANY OF THESE DISPUTED TERMS, THE COURT NEEDN'T LOOK FURTHER  
24          OR MUCH FARTHER THAN THE CLAIM LANGUAGE ITSELF IN THE CONTEXT  
25          OF THE LANGUAGE SURROUNDING THE DISPUTED TERM, EITHER IN THAT

1 PARTICULAR CLAIM OR IN SOME INSTANCES IN DEPENDENT CLAIMS OR  
2 EVEN OTHER INDEPENDENT CLAIMS IN THE PATENT. THAT'S THE THIRD  
3 POINT ON THE LIST.

4 OTHER CLAIMS OF THE PATENT IN QUESTION, ASSERTED AND  
5 UNASSERTED, AND I WOULD ADD THE PARENTHETICAL THERE THAT THEY  
6 CAN ALSO BE DEPENDENT CLAIMS WHICH BRINGS UP THE CONCEPT  
7 OCCASIONALLY OF CLAIM DIFFERENTIATION. THEY CAN ALSO BE  
8 SIMILARLY WORDED PATENTS -- OR CLAIMS IN THE SAME PATENT,  
9 ALTHOUGH THEY DON'T HAVE AN INDEPENDENT/DEPENDENT  
10 RELATIONSHIP.

11 THE PHILLIPS COURT EMPHASIZED, OF COURSE, THAT THE PATENT  
12 CLAIMS ARE TO BE READ IN VIEW OF THE SPECIFICATION. AND THE  
13 COURT WENT ON TO POINT OUT THAT THE CLAIMS ARE ACTUALLY PART  
14 OF THE SPECIFICATION.

15 BACK TO THE POINT I JUST MADE ABOUT USING LANGUAGE IN  
16 OTHER DEPENDENT OR EVEN INDEPENDENT CLAIMS TO ADVISE THE  
17 MEANING OF A DISPUTED CLAIM TERM, THE CLAIMS ARE PART OF THAT  
18 SPECIFICATION THAT IS A PRIMARY SOURCE FOR ADVISING THE CLAIM  
19 CONSTRUCTION ANALYSIS.

20 AND THAT, OF COURSE, THE SPECIFICATION IS HIGHLY RELEVANT.  
21 THE COURT HAS SAID THAT IN CERTAIN INSTANCES IT IS DISPOSITIVE  
22 OF THE MEANING OF A DISPUTED TERM.

23 IN THE THORNER CASE, THE FEDERAL CIRCUIT EMPHASIZED THAT  
24 WE DO NOT READ LIMITATIONS FROM THE SPECIFICATION INTO THE  
25 CLAIMS. WE DON'T REDEFINE WORDS; ONLY THE PATENTEE CAN DO

1 THAT.

2 AND IN ONE OF THE TWO EXCEPTIONS TO THE ORDINARY MEANING  
3 RULE, THE EXAMPLE IS LEXICOGRAPHY. A PATENTEE CAN BE HIS OR  
4 HER OWN LEXICOGRAPHER. HE OR SHE CAN DEVIATE FROM THE  
5 ORDINARY MEANING OF A TERM PROVIDED THAT THE INVENTOR PATENTEE  
6 MAKES THAT ABUNDANTLY CLEAR IN THE SPECIFICATION OR THE  
7 PROSECUTION HISTORY THAT THEY INTEND TO DEVIATE FROM THE  
8 ORDINARY TERM.

9 AND THEN PHILLIPS, I KNOW FOR PLAINTIFF'S COUNSEL AND  
10 DEFENSE COUNSEL ALIKE, IN THIS CASE WE HAVE A LITTLE BIT OF A  
11 BLEND OF THOSE. THE PHILLIPS COURT TALKED ABOUT THE CARDINAL  
12 SIN IN CLAIM CONSTRUCTION, WHICH IS READING LIMITATIONS OR  
13 IMPOSING LIMITATIONS FROM THE SPECIFICATION INTO THE CLAIM  
14 LANGUAGE.

15 IN THE THORNER CASE, IT INVOLVED CLAIMS DIRECTED TO A  
16 TACTILE FEEDBACK HAND CONTROLLER. AND ONE OF THE ISSUES --  
17 THE CLAIM LANGUAGE ITSELF PROVIDED THAT THERE WERE MOTORS THAT  
18 GENERATED VIBRATION IN THESE HAND CONTROLLERS THAT WERE  
19 ATTACHED TO THE CONTROLLER. AND THE ACCUSED PRODUCT WAS THE  
20 SONY PLAYSTATION DUAL SHOCK 2 THAT GIVES YOU THE RUMBLE WHEN  
21 YOU ARE PLAYING WHEN YOU REV THE ENGINE OR WHEN YOU TACKLE  
22 SOMEONE IN THE MADDEN FOOTBALL GAMES.

23 THE SPECIFICATION ONLY DISCLOSED EXAMPLES WHERE THE  
24 ACTUATOR THAT CREATED THE VIBRATION WAS ATTACHED TO THE  
25 EXTERIOR OF THE CONTROLLER WITH AN ADHESIVE OR A VELCRO STRAP

1 OR SOMETHING OF THAT NATURE.

2 AND AT THE CLAIM CONSTRUCTION HEARING, THE JUDGE DID A  
3 VERY NICE JOB IN CONSTRUING THE CLAIMS. HE ACTUALLY CONSTRUED  
4 THEM IN REAL TIME. HE DICTATED HIS CONSTRUCTIONS IMMEDIATELY  
5 FOLLOWING THE HEARING WITH COUNSEL PRESENT.

6 AND ON THAT PARTICULAR LIMITATION, THE COURT CONSTRUED THE  
7 CLAIM ELEMENT AS REQUIRING THAT THE CONTROLLERS BE ATTACHED TO  
8 THE OUTSIDE WHICH DID NOT ALLOW, OF COURSE, FOR CONSTRUCTION  
9 WHERE YOU HAD MOTORS ON THE INSIDE. THAT, OF COURSE, WOULD  
10 HAVE BEEN DISPOSITIVE OF THE ENTIRE CASE.

11 THE FEDERAL CIRCUIT REVERSED NOTING THAT THERE WAS NO  
12 LIMITING LANGUAGE IN THE CLAIM ITSELF. AND IN LIGHT OF THE  
13 CLAIM LANGUAGE, IT WAS PERFECTLY PLAUSIBLE THAT YOU COULD HAVE  
14 A CONSTRUCTION WHERE SOMETHING IS ATTACHED EITHER TO THE  
15 OUTSIDE OF THE STRUCTURE OR THE INSIDE.

16 I BEAR ON THIS POINT SIMPLY BECAUSE WE ARE GOING TO SEE  
17 THIS AS A RE-OCCURRING THEME AS WE GO THROUGH ARGUMENT TODAY  
18 ON MANY OF THE TERMS.

19 AND THEN FINALLY ON THE ISSUE OF -- I ACTUALLY OFFER AN  
20 EXAMPLE HERE, WHICH I THINK I PROBABLY -- I PROBABLY GAVE A  
21 BETTER EXAMPLE OF IN THE SONY DUAL SHOCK. THIS IS A VERY,  
22 VERY SIMPLE DIAGRAM THAT ILLUSTRATES THE POINT.

23 IF YOU HAVE A UNIVERSE OF FASTENERS THAT INCLUDES NAILS,  
24 SCREWS, BOLTS AND THUMBTACKS, BUT THERE'S A PATENT  
25 SPECIFICATION THAT MERELY DISCLOSES THE THUMBTACKS AND THE

1 BOLTS, UNLESS THE LEXICOGRAPHY OR THE CLEAR DISAVOWAL  
2 EXCEPTIONS TO THE ORDINARY MEANING RULE APPLY, IT WOULD BE  
3 IMPROPER TO CONSTRUE A CLAIM USING THE TERM "FASTENER" AS  
4 ELIMINATING THE NAILS OR THE SCREWS FROM THE SCOPE OF THAT  
5 CLAIM.

6 AND FORGIVE ME FOR THE OVERLY SIMPLE GRAPHIC. I HAVE USED  
7 IT BEFORE AND HOPEFULLY IT ILLUSTRATES THE POINT.

8 EXPERT TESTIMONY. THAT IS SOMETHING THAT CAME UP AT OR  
9 ABOUT THE TIME OF OUR TUTORIAL. OUR COLLEAGUES AT PAYPAL  
10 OFFERED THE EXPERT TESTIMONY OF ROBERT FLOOD IN THEIR RESPONSE  
11 TO OUR OPENING CLAIM CONSTRUCTION BRIEF. WE THEN COUNTERED  
12 WITH A DECLARATION AND TESTIMONY OF AMY STERN, ANOTHER EXPERT.

13 AS I SAID DURING THE TUTORIAL, YOUR HONOR, I THINK THAT  
14 THE ROLE OF EXPERT TESTIMONY, PARTICULARLY IN THIS CASE, HAS  
15 TO BE SUBSIDIARY AND SIGNIFICANTLY SUBSIDIARY TO THE LANGUAGE  
16 OF THE CLAIMS AND THE OTHER ANALYSIS THAT FOLLOWS FROM THE  
17 TEACHING IN THE SPECIFICATION, THE PROSECUTION HISTORY.

18 I REMEMBER ONE OF THE QUESTIONS YOU POSED WAS, WELL, WHAT  
19 VALUE CAN AN EXPERT'S TESTIMONY REALLY ADD IN THE CONTEXT OF  
20 CLAIM CONSTRUCTION?

21 AND I THINK, PARTICULARLY IN THIS CASE, I DON'T SEE A  
22 GREAT DEAL OF VALUE. WE HAVE OFFERED MS. STERN'S DECLARATION.  
23 THE COURT, OF COURSE, IS FREE TO CONSIDER EXTRINSIC EVIDENCE.  
24 I THINK THAT THE CLAIM LANGUAGE AND THE RULES OF EXCEPTION  
25 CARRY THE DAY IN THIS CASE, AND WE WILL TELL YOU WHY AS WE

1 MOVE ON.

2 IN PHILLIPS, THE FEDERAL CIRCUIT SAID CONCLUSORY  
3 UNSUPPORTED ASSERTIONS BY EXPERTS AS TO THE DEFINITION OF A  
4 CLAIM TERM ARE NOT USEFUL TO THE COURT. AND AS WE ARGUED IN  
5 OUR REPLY, WE THINK AT LEAST SOME OF MR. FLOOD'S STATEMENTS  
6 ARE JUST THAT, THEY ARE CONCLUSORY.

7 WHERE WE DIDN'T THINK THEY WERE CONCLUSORY, BUT WE DIDN'T  
8 FEEL THAT THEY WERE OF TERRIBLE BENEFIT, WE COUNTERED WITH A  
9 RESPONSE BY MS. STERN.

10 THEN PHILLIPS JUST FOLLOWS UP WITH THE SAME PRINCIPLE  
11 PROVIDING THAT A COURT SHOULD DISCOUNT ANY EXPERT TESTIMONY  
12 THAT IS CLEARLY AT ODDS WITH THE CLAIM CONSTRUCTION MANDATED  
13 BY THE CLAIMS THEMSELVES, AGAIN, THE PRIMACY OF THE CLAIM  
14 LANGUAGE ITSELF, THE WRITTEN DESCRIPTION IN THE PROSECUTION  
15 HISTORY. IN OTHER WORDS, WITH A WRITTEN RECORD OF THE PATENT.

16 YOUR HONOR, IF YOU DON'T HAVE ANY QUESTIONS OR COMMENTS  
17 WITH RESPECT TO THE GENERAL PRINCIPLES, YOU HAVE BEEN THROUGH  
18 MARKMANS BEFORE, I THINK WE CAN GET INTO ARGUMENT ON -- WITH  
19 RESPECT TO THE FIRST TERM, WHICH IS COMMUNICATION LINE.

20 AND THERE ARE SOME SIMILARITIES BETWEEN THE DISPUTE -- IN  
21 THE DISPUTE BETWEEN THE PARTIES WITH RESPECT TO THE FIRST AND  
22 SECOND DISPUTED TERMS, COMMUNICATION LINE AND SUBSCRIBER LINE.  
23 THERE IS A NUANCE DIFFERENCE, AND FOR THAT REASON, I WOULD  
24 LIKE TO TAKE THEM SERIATIM, RATHER THAN ARGUE AT THE SAME  
25 TIME. I THINK THE SUBSCRIBER LINE ARGUMENT WILL BE

1       SIGNIFICANTLY ABBREVIATED, THOUGH.

2           THE FIRST DISPUTED TERM, OF COURSE, IS COMMUNICATION LINE.  
3       AND THIS APPEARS INITIALLY IN THE '049 PATENT, THE FIRST OF  
4       PAYMENTONE'S THREE ASSERTED PATENTS.

5           WHAT ARE THE PARTIES' RESPECTIVE CONSTRUCTIONS?  
6       PAYMENTONE SIMPLY SAYS THAT THE CLAIM OUGHT TO BE CONSTRUED TO  
7       MEAN A COMMUNICATION CHANNEL THAT FACILITATES A WIRELESS OR  
8       PHYSICAL COMMUNICATION BETWEEN A VENDOR AND AN ELECTRONIC  
9       TERMINAL OVER A WIRELESS OR PHYSICAL COMMUNICATION NETWORK.

10          SO YOU SEE AT THE END IT'S REALLY THE CRUX OF THE ISSUE.  
11       I KNOW, AGAIN, THIS WAS SOMETHING THAT CAME UP DURING THE  
12       TUTORIAL. ARE WE TALKING ABOUT WIRELESS AND PHYSICAL OR JUST  
13       A PHYSICAL CONNECTION?

14          AND THAT LEADS US TO PAYPAL'S PROPOSED CONSTRUCTION WHICH  
15       IMPOSES THREE SIGNIFICANT LIMITATIONS INTO THIS CLAIM THAT  
16       CERTAINLY DON'T APPEAR IN THE CLAIM LANGUAGE, BUT WE WILL GET  
17       TO THAT IN A SECOND.

18          PAYPAL'S CONSTRUCTION IS -- FOR COMMUNICATION LINE, IS A  
19       WIRE OR CABLE FOR WHICH A CUSTOMER HAS AN ACCOUNT WITH A LOCAL  
20       TELEPHONE COMPANY THAT -- THAT'S ACTUALLY ANOTHER LIMITATION.  
21       THEY ARE TALKING ABOUT AN ACCOUNT TIED TO A TELEPHONE COMPANY,  
22       WHICH IS A PHYSICAL LOCATION -- THAT PHYSICALLY CONNECTS THE  
23       CUSTOMER'S ELECTRONIC TERMINAL TO THE LOCAL TELEPHONE COMPANY.

24          I DON'T THINK THE PARTIES DISPUTE WHAT PAYPAL'S PROPOSED  
25       CONSTRUCTION IS. WE UNDERSTAND THEY ARE SAYING THIS IS A

1 HARD-WIRED CONNECTION. IT'S A LAND LINE TO USE SOME SIMPLE  
2 TERMINOLOGY AND DESCRIPTIVE TERMINOLOGY.

3 THEY ARE ALSO SAYING THAT THIS WIRE OR CABLE IS ASSOCIATED  
4 WITH, OR EVEN MORE SPECIFICALLY, THE WIRE CABLE HAS AN ACCOUNT  
5 WITH THE LOCAL TELEPHONE COMPANY. SO IT'S VERY CONFINING  
6 LANGUAGE.

7 AND THAT'S OKAY IF IT'S PROVIDED FOR IN THE CLAIM LANGUAGE  
8 ITSELF OR BY WAY OF THE LEXICOGRAPHY OR CLEAR DISAVOW  
9 EXCEPTIONS. NONE OF THOSE APPLY, AND LET'S TAKE A LOOK AT WHY  
10 NOT.

11 HERE IS THE LANGUAGE IN WHICH WE FIRST SEE THE TERM  
12 "COMMUNICATION LINE". JUDGE, I AM SORRY IF THAT IS --  
13 ACTUALLY THAT IS NOT TOO BAD.

14 IS THAT LEGIBLE ON YOUR MONITOR?

15 **THE COURT:** THAT'S FINE.

16 **MR. MC ANDREWS:** WE SEE IN THE CONTEXT OF CLAIM 8,  
17 YOU SEE REFERENCE TWICE TO COMMUNICATION LINE. JUST AT ABOUT  
18 LINE 55, WE SEE AN OPTION TO SELECT PAYMENT FOR THE  
19 TRANSACTION FROM AN ACCOUNT ASSOCIATED WITH THE COMMUNICATION  
20 LINE.

21 DOESN'T SAY ANYTHING ABOUT A TELEPHONE ACCOUNT AND IT  
22 DOESN'T SAY ANYTHING MORE THAN A COMMUNICATION LINE. THERE'S  
23 NO LAND BASED OR HARD-WIRED LIMITATION OR LANGUAGE INCLUDED IN  
24 THE CLAIM.

25 THERE IS ANOTHER INSTANCE OF COMMUNICATION LINE AS WELL



1 AND SO TOO WITH THAT EXAMPLE, WE DON'T SEE ANY LIMITING  
2 LANGUAGE, AND CERTAINLY NOTHING ABOUT A HARD WIRE OR A CABLE  
3 OR A PHYSICAL CONNECTION TO A TELEPHONE COMPANY HAVING AN  
4 ACCOUNT TIED TO THAT LINE. SO, THE CLAIM LANGUAGE ITSELF IS  
5 NOT LIMITING.

6 AND SO REFERRING BACK TO THE FEDERAL CIRCUIT LAW, THE  
7 CLAIM SHOULD BE CONSTRUED BROADLY. THE TERM SHOULD BE  
8 CONSTRUED BROADLY. COMMUNICATION LINE SHOULD NOT BE LIMITED  
9 UNLESS IT'S CLEAR FROM THE CONTEXT IN WHICH IT APPEARS IN  
10 CLAIM 8 OR UNLESS THE SPECIFICATION MAKES CLEAR --

11 **THE COURT:** LET ME ASK YOU THIS.

12 **MR. MC ANDREWS:** YES.

13 **THE COURT:** BECAUSE ONE OF THE FIRST THINGS I DO  
14 PREPARING FOR A MARKMAN IS TO LOOK AT THE TERMS AND THE TERMS  
15 EACH TIME THEY APPEAR IN THE PATENT, REGARDLESS OF WHETHER OR  
16 NOT IT'S PART OF THE DISPUTE BECAUSE THE TERM HAS TO HAVE  
17 GENERALLY THE SAME MEANING IF IT IS A TERM OF ART THROUGHOUT  
18 THE PATENT.

19 SO, IN -- RIGHT AFTER YOU HAD UP 8, IN THE NEXT PARAGRAPH,  
20 9, IT SAYS, "A SYSTEM IS CLAIMED IN CLAIM 8 IN WHICH THE  
21 COMMUNICATION LINE IS A SUBSCRIBER LINE."

22 COMMENT ON THAT.

23 **MR. MC ANDREWS:** WHAT THAT IS SAYING -- LET ME PULL  
24 UP THE SECTION. I CAN ACTUALLY PROJECT IT.

25 **THE COURT:** AND IT CONTINUES, JUST SO YOU HAVE IT AS

1 YOU'RE GETTING IT. SAYS, "IS A SUBSCRIBER LINE AND THE UNIQUE  
2 IDENTIFIER IS A TELEPHONE NUMBER ASSOCIATED WITH THE  
3 SUBSCRIBER LINE."

4 **MR. MC ANDREWS:** IT'S CLAIM 9, YOUR HONOR, YES?

5 **THE COURT:** RIGHT.

6 **MR. MC ANDREWS:** THIS IS ONE OF THE DEPENDENT CLAIMS.  
7 AND TO THE POINT ABOUT THE IMPORTANCE OF THE LANGUAGE OF OTHER  
8 CLAIMS, THIS IS ONE OF THE EXAMPLES.

9 SO A SYSTEM AS CLAIMED IN CLAIM 8, IT'S INCORPORATING ALL  
10 OF THE LIMITATIONS OF CLAIM 8, INDEPENDENT CLAIM 8, CLAIM 9  
11 DEPENDS FROM CLAIM 8, AS WE SAY IN PATENT LAW, IN WHICH A  
12 COMMUNICATION LINE IS A SUBSCRIBER LINE.

13 NOW, THE INTERESTING THING ABOUT THIS IS THAT THE  
14 SUBSCRIBER LINE ITSELF -- THERE ARE TWO POINTS I WOULD LIKE TO  
15 MAKE.

16 THE SUBSCRIBER LINE ITSELF IS IDENTIFIED AS ITEM NUMBER 96  
17 IN FIGURE 1 OF THE PATENT. IF I CAN PICK UP MY PAPERS, I CAN  
18 PUT THAT UP AND IT WILL HELP WITH MY EXPLANATION.

19 LET ME SEE IF I CAN HIGHLIGHT THE RELEVANT SECTION. IS  
20 THAT LEGIBLE, YOUR HONOR?

21 **THE COURT:** UH-HUH.

22 **MR. MC ANDREWS:** CONNECTION 96 IS DEFINED IN THE  
23 CONTEXT OF THE '049 PATENT AS A SUBSCRIBER LINE. BUT THE  
24 SALIENT POINT, ONE OF THE TWO POINTS I WANT TO MAKE ON THIS IS  
25 THAT ITEM NUMBER 24, WHICH IS RIGHT NEXT TO IT, IN WHICH

1 APPEARS, OF COURSE, AS A GENERIC PERSONAL COMPUTER OR  
2 COMPUTING DEVICE, A TERMINAL DEVICE THAT THE CUSTOMER, THE  
3 CONSUMER USES, THIS IS DEFINED IN CONNECTION WITH THE  
4 SUBSCRIBER LINE 96 AS SPECIFICALLY INCLUDING A CONNECTION THAT  
5 CAN BE TO A PC. AND I AM READING FROM LINE 25, STARTING IN  
6 COLUMN 64.

7 "THE PC 24" -- WE ARE TALKING ABOUT ITEM NUMBER 24 IN THE  
8 DIAGRAM, WHICH IS CONNECTED TO THE -- OR WHICH COMMUNICATES  
9 OVER THE SUBSCRIBER LINE, "AND MODULES 30, 32 ARE EXEMPLARY  
10 FORMS" --

11 **THE COURT:** COUNSEL, YOU NEED TO STAY FACING THAT MIC  
12 SO THE COURT REPORTER --

13 **MR. MC ANDREWS:** I'M SORRY.

14 **THE COURT:** -- CAN HEAR YOU.

15 **MR. MC ANDREWS:** I CAN WORK OFF OF MY SHEET HERE.

16 -- "ARE EXEMPLARY FORMS OF COMPUTER SYSTEMS."

17 SO MR. LYNAM AND HIS CO-INVENTORS WERE SAYING RIGHT IN THE  
18 BODY OF THEIR SPECIFICATION THAT THE PC THAT APPEARS AS NUMBER  
19 24 IS MERELY AN EXEMPLARY FORM OF THE INVENTION, OR ONE OF THE  
20 ELEMENTS OF THE INVENTION OF THEIR CLAIMS.

21 "EXEMPLARY FORMS OF COMPUTER SYSTEMS OR MACHINES  
22 WITHIN WHICH A SET OF INSTRUCTIONS, FOR CAUSING THE  
23 MACHINE TO PERFORM ANY ONE OF THE METHODOLOGIES  
24 DISCUSSED ABOVE, MAY BE EXECUTED IN ALTERNATIVE  
25 EMBODIMENTS."

1 SO THEY ARE ACTUALLY -- THEY ARE LEAVING NOTHING TO DOUBT,  
2 AS WAS THE CASE IN THE THORNER CASE WHERE THE SPECIFICATION  
3 DIDN'T SAY ANYTHING AT ALL ABOUT MOTORS OR VIBRATING ACTUATORS  
4 ON THE INSIDE. THE ONLY DISCLOSURE WAS ON THE OUTSIDE.

5 IN THIS CASE, WE ARE NOT ONLY TALKING ABOUT AVOIDING THE  
6 TEMPTATION OF READING LIMITATIONS FROM THE SPECIFICATION INTO,  
7 WE WOULD ACTUALLY BE IGNORING AN EXPRESS TEACHING OF THE  
8 PATENT. LET ME READ ON.

9 "IN ALTERNATIVE EMBODIMENTS OF THE INVENTION OF THESE  
10 CLAIMS, THE MACHINE MAY COMPRISE A NETWORK ROUTER, A  
11 NETWORK SWITCH, A NETWORK BRIDGE, A PERSONAL DIGITAL  
12 ASSISTANT, A PDA," A TERM WE USED TO USE BACK IN THE  
13 EARLY TO MID '90S, AND IMPORTANTLY FOR OUR ANALYSIS  
14 HERE, "A CELLULAR TELEPHONE".

15 NOW, WE ARE NOT TRYING TO READ A CELLULAR TELEPHONE  
16 CONNECTION IN OUT OF THIN AIR. IT'S EXPRESSLY MENTIONED HERE  
17 IN THE SPECIFICATION OF THE PATENT.

18 IN THE '500 PATENT, YOUR HONOR, IT TAKES IT EVEN A STEP  
19 FURTHER. YOU NOT ONLY SEE THE TERM "CELLULAR PHONE" OR  
20 "WIRELESS CONNECTION" IN THE SPECIFICATION, BUT THE CLAIMS  
21 THEMSELVES, SOME OF THE DEPENDENT CLAIMS ACTUALLY REFER TO A  
22 WIRELESS CONNECTION.

23 SO THAT -- DRAWING ON THE CONCEPT OF CLAIM  
24 DIFFERENTIATION, THAT MEANS THAT ANY CONNECTION IN THE  
25 DEPENDENT CLAIM -- THE INDEPENDENT CLAIM, RATHER, IS

1 NECESSARILY BROADER THAN THE MORE CONFINING LANGUAGE THAT'S  
2 USED IN THE, IN THE LANGUAGE OF THE DEPENDENT CLAIM.

3 SO IN THIS CASE, THE SPECIFICATION ACTUALLY TELLS US AND  
4 SHOWS US THAT ELEMENT OR ITEM 24 SHOWN AS THAT GENERAL PURPOSE  
5 TERMINAL DEVICE, IF YOU WILL, CAN BE A CELLULAR TELEPHONE. SO  
6 IT'S NOT ARGUMENT, IT'S SUBSTANTIVE, IT IS LANGUAGE DIRECTLY  
7 OUT OF THE SPECIFICATION OF THE '049 AND '500 PATENTS, AND IT  
8 IS ACTUALLY REFERRED TO AS AN EXEMPLARY ALTERNATIVE EMBODIMENT  
9 OF THE INVENTION.

10 MORE TO THE POINT, WITH RESPECT TO OUR DISCUSSION ON  
11 COMMUNICATION LINE, ITEM 24, CELLULAR TELEPHONE NUMBER 24  
12 COMMUNICATES OVER CHANNEL 96 IN THE DRAWING WHICH THE  
13 SPECIFICATION SPECIFICALLY TELLS US IS AND CAN BE A SUBSCRIBER  
14 LINE WHICH IS A FORM OF COMMUNICATION LINE.

15 NOW, THE OTHER POINT, YOU HAD ASKED ABOUT DEPENDENT  
16 CLAIM 9 AND THE RELEVANCE OF THE QUALIFYING LANGUAGE  
17 SUBSCRIBER LINE. THAT'S IMPORTANT FOR ANOTHER REASON AS WELL.

18 WE SEE IN OTHER CLAIMS, AT LEAST TWO OR THREE OF THE OTHER  
19 CLAIMS OF THE '049 PATENT EXAMPLES WHERE SUBSCRIBER LINE IS  
20 QUALIFIED. WE SPEAK OF AN ACCOUNT ASSOCIATED WITH A  
21 COMMUNICATION LINE. WE ALSO SEE LANGUAGE, AN ACCOUNT  
22 ASSOCIATED WITH THE SUBSCRIBER LINE AND THEN IN DEPENDENT  
23 CLAIMS OR ALTERNATIVE CLAIMS WE SEE A RECITATION OF A  
24 TELEPHONE ACCOUNT ASSOCIATED WITH THE SUBSCRIBER LINE.

25 GETTING BACK TO THE POINT, DIFFERENTIATING BETWEEN

1 DIFFERENT TERMS THAT WERE CHOSEN BY MR. LYNAM, HIS  
2 CO-INVENTORS, AND HIS PATENT COUNSEL AT THE TIME, THERE HAS TO  
3 BE RELEVANCE GIVEN TO THE INCLUSION TO THE TERM "TELEPHONE  
4 ACCOUNT" AS OPPOSED TO AN ACCOUNT ASSOCIATED WITH THE  
5 SUBSCRIBER LINE. AND I HAVE GOT SOME SLIDES THAT GET TO THAT  
6 SECONDARY POINT IN JUST A MOMENT.

7 (PAUSE IN THE PROCEEDINGS.)

8 I MENTIONED THIS IN MY INITIAL COMMENTS ABOUT  
9 COMMUNICATION LINE. OUT OF THE BODY OF CLAIM 8, WE SEE THE  
10 CLAUSE AT LINE 55, "AN OPTION TO SELECT PAYMENT FOR THE  
11 TRANSACTION FROM AN ACCOUNT ASSOCIATED WITH THE COMMUNICATION  
12 LINE TO WHICH THE ELECTRONIC TERMINAL IS CONNECTED".

13 THE RELEVANCE HERE IS THE TERM "ACCOUNT ASSOCIATED WITH".  
14 IT DOESN'T SAY TELEPHONE ACCOUNT ASSOCIATED WITH.

15 NOW, THERE MIGHT BE A LITTLE BIT OF ROOM TO ARGUE PERHAPS  
16 IF THE SPECIFICATION AND THE CLAIMS THAT ARE PART OF THE  
17 SPECIFICATION DOES ELSEWHERE SPECIFICALLY CALL OUT A TELEPHONE  
18 ACCOUNT ASSOCIATED WITH THE COMMUNICATION LINE OR A SUBSCRIBER  
19 LINE. THEY DO.

20 IF WE TAKE A LOOK AT INDEPENDENT CLAIM 17, THIS IS ONE OF  
21 THE EXAMPLES WHERE AT ABOUT LINE 40 THAT RECITES, "TO SELECT  
22 PAYMENT FOR THE TRANSACTION FROM A TELEPHONE ACCOUNT  
23 ASSOCIATED WITH A SUBSCRIBER LINE".

24 AGAIN, THE VOLITIONAL INCLUSION OF THE TERM "TELEPHONE" TO  
25 QUALIFY ACCOUNT, IT IS A DISTINCTION WITH A HUGE DIFFERENCE

1 WITH RESPECT TO THE DISPUTE BETWEEN THE PARTIES ON THE ISSUE  
2 OF COMMUNICATION LINE AND SUBSCRIBER LINE.

3 NOW, THAT USE OF THE TERM, CLAIM 17 REFERS TO THE  
4 SUBSCRIBER LINE WHICH IS THE TERM THAT YOU POINTED OUT AS  
5 BEING IN DEPENDENT CLAIM 9. CLAIM 21, ACTUALLY CLAIMS 21 AND  
6 27, IF I CAN JUXTAPOSE THEM TOGETHER, AND I THINK THIS  
7 PROBABLY BEST ILLUSTRATES THE POINT, YOUR HONOR.

8 "A TRANSACTION VALIDATION MODULE AS CLAIMED IN  
9 CLAIM 20, IN WHICH CHARGES FOR THE TRANSACTION ARE  
10 INCLUDED IN AN ACCOUNT ASSOCIATED WITH THE SUBSCRIBER  
11 LINE."

12 IN DEPENDENT CLAIM 27, AFTER THE PREAMBLE, WE SEE, "IN  
13 WHICH CHARGES FOR THE TRANSACTION ARE INCLUDED IN A TELEPHONE  
14 ACCOUNT ASSOCIATED WITH THE SUBSCRIBER LINE".

15 SO, ACCORDING TO ALL THE CANONS OF CLAIM CONSTRUCTION, THE  
16 TERM "TELEPHONE ACCOUNT" CANNOT BE READ, OR MORE SPECIFICALLY,  
17 THE WORD "TELEPHONE" CAN'T BE READ INTO OR GRAFTED INTO CLAIMS  
18 THAT SPECIFICALLY EXCLUDE IT, SUCH AS 21, SUCH AS DEPENDENT  
19 CLAIM 9, SUCH AS CLAIM 8 WHERE WE ARE TALKING ABOUT A  
20 COMMUNICATION LINE ASSOCIATED WITH -- AN ACCOUNT ASSOCIATED  
21 WITH A COMMUNICATION LINE WITHOUT QUALIFIER.

22 SO, CIRCLING BACK TO THE THREE MAIN POINTS: THE CLAIM  
23 LANGUAGE ITSELF DOES NOT REQUIRE THE VERY RESTRICTIVE  
24 CONSTRUCTION THAT HAS BEEN PROFFERED BY PAYPAL IN THIS CASE  
25 WITH RESPECT TO COMMUNICATION LINE.

1 SECONDLY AND IMPORTANTLY, WE ARE ALWAYS CONCERNED ABOUT  
2 READING EXTRANEOUS LIMITATIONS OR LIMITATIONS FROM THE  
3 SPECIFICATION INTO A CLAIM. IN THIS CASE, WE WOULD NOT ONLY  
4 BE DOING THAT BY ADOPTING PAYPAL'S PROPOSED CONSTRUCTION, WE  
5 WOULD BE IGNORING AN EXPRESS EXEMPLARY ALTERNATIVE EMBODIMENT  
6 OF THE INVENTION WHEREIN A CELLULAR TELEPHONE, ITEM NUMBER 24,  
7 COMMUNICATES OVER SUBSCRIBER LINE, NUMBER 96, WHICH IN THAT  
8 INSTANCE HAS TO BE, IT HAS TO BE LOGICALLY AND TECHNICALLY A  
9 WIRELESS CONNECTION.

10 SO THE LANDLINE WIRED AND CABLE, AND THE PHYSICAL  
11 CONTENTION TO THE TELEPHONE COMPANY ITSELF HAVING AN ACCOUNT  
12 FOR THAT LINE ARE ALL UNNECESSARY LIMITATIONS. THEY SHOULD  
13 NOT BE GRAFTED INTO THIS CLAIM TERM.

14 DO YOU HAVE ANY QUESTIONS?

15 **THE COURT:** I DO NOT.

16 **MR. MC ANDREWS:** OKAY. I WILL TURN THE FLOOR OVER TO  
17 MY COLLEAGUES.

18 **MS. LUTTON:** YOUR HONOR, GIVEN THE INTERRELATEDNESS  
19 OF COMMUNICATION AND SUBSCRIBER LINE, I WOULD SUGGEST THAT  
20 PLAINTIFFS PRESENT ON SUBSCRIBER LINE, AND THEN I CAN  
21 ADEQUATELY ADDRESS BOTH OF THE TERMS. IF THAT WOULD WORK FOR  
22 THE COURT.

23 **THE COURT:** IT DOESN'T MATTER TO ME.

24 **MR. MC ANDREWS:** I AM SORRY, DOES NOT --

25 **THE COURT:** IT DOES NOT MATTER TO ME.



1 (PAUSE IN THE PROCEEDINGS.)

2 **MR. MC ANDREWS:** YEAH. I THINK BEFORE I GET INTO THE  
3 ACTUAL PROPOSED CONSTRUCTION, I THINK MAYBE THE LAST SLIDE OF  
4 THE FIRST SET IS A GOOD STARTING POINT.

5 AND I WOULD SIMPLY POINT OUT, AGAIN, THAT WE ARE  
6 DISTINGUISHING HERE BETWEEN AN ACCOUNT ASSOCIATED WITH THE  
7 SUBSCRIBER LINE, WHICH IS NOW THE TERM THAT WE ARE GOING TO  
8 OFFER ARGUMENT ON, IN THE CASE OF DEPENDENT CLAIM 21, AND  
9 ALTERNATIVELY WITH DIFFERENT LANGUAGE CHOSEN BY THE INVENTORS  
10 AND DEPENDENT CLAIM 20, WE ARE TALKING ABOUT A TELEPHONE  
11 ACCOUNT ASSOCIATED WITH THE SUBSCRIBER LINE.

12 SO THERE COULD NOT BE A MORE STARK CONTRAST BETWEEN THE  
13 IDEA OF A SUBSCRIBER LINE THAT CAN BE ASSOCIATED WITH AN  
14 ACCOUNT, THE BROAD LANGUAGE THAT MR. LYNAM AND HIS  
15 CO-INVENTORS CHOSE, AND THAT THEY ARE ALLOWED TO CHOOSE, AND  
16 THE MORE RESTRICTIVE TERM, THE NARROWER TERM THAT THEY CHOSE  
17 IN DEPENDENT CLAIM 27 AND SOME OF THE OTHER CLAIMS.

18 I THINK CLAIM 17, INDEPENDENT CLAIM 17 WAS AN EXAMPLE  
19 WHERE WE ALSO SAW A TELEPHONE ACCOUNT ASSOCIATED WITH THE  
20 SUBSCRIBER LINE.

21 SO WHAT ARE THE PARTIES' RESPECTIVE POSITIONS WITH RESPECT  
22 TO SUBSCRIBER LINE, YOUR HONOR?

23 PERHAPS NOT SURPRISINGLY THEY ARE NOT ENTIRELY DIFFERENT  
24 OR VERY DIFFERENT FROM THE PROPOSED CONSTRUCTIONS THAT WE  
25 OFFERED, THE PARTIES RESPECTIVELY OFFERED FOR COMMUNICATION

1 LINE.

2 PAYMENTONE'S PROPOSED CONSTRUCTION FOR SUBSCRIBER LINE IS  
3 "A COMMUNICATION CHANNEL IN THE FORM OF A USER'S WIRELESS  
4 COMMUNICATION LINE" -- IT'S NOT LIMITED TO THAT, THAT'S AN  
5 EXEMPLARY EMBODIMENT AS WE SAW IN FIGURE 1 OF THE '049  
6 PATENT -- "A DIGITAL SUBSCRIBER LINE, OR A CABLE LINE."

7 SO COULD IT BE A HARD LINE OR A CABLE LINE? CERTAINLY.  
8 IT'S NOT LIMITED TO IT. IT IS ESPECIALLY NOT LIMITED TO IT  
9 WHEN FIGURE 1 OF THE PATENT DISCLOSES A CELLULAR CONNECTION  
10 OVER SUBSCRIBER LINE 96.

11 I WILL PUT THAT GRAPHIC UP AGAIN IN A MINUTE.

12 SO IN THE FORM OF A -- "USES WIRELESS COMMUNICATION LINE,  
13 DIGITAL SUBSCRIBER LINE, OR CABLE LINE THAT FACILITATES  
14 WIRELESS OR PHYSICAL COMMUNICATION BETWEEN A VENDOR AND AN  
15 ELECTRONIC TERMINAL". THAT ELECTRONIC TERMINAL, AGAIN, WAS  
16 ITEM NUMBER 25 IN FIGURE 1 OF THE PATENT -- "OVER A WIRELESS  
17 OR PHYSICAL NETWORK".

18 AGAIN, THE FLEXIBILITY IS SOMETHING THAT CERTAINLY COMING  
19 INTO COURT WE WOULD LIKE TO HAVE, BUT IN THIS CASE OUR WISH  
20 FOR THAT IS ACTUALLY BORNE OUT BY THE SPECIFICATION ITSELF AND  
21 THE CLAIM LANGUAGE.

22 PAYPAL'S PROPOSED CONSTRUCTION IS VERY SIMILAR TO THE ONE  
23 THEY OFFERED FOR COMMUNICATION LINE: "A TELEPHONE WIRE", IT  
24 IS ACTUALLY EVEN MORE SPECIFIC HERE. THEY ARE ACTUALLY SAYING  
25 IT IS A TELEPHONE WIRE, WHEREAS WITH COMMUNICATION LINE, THEY

1 SIMPLY SAID WIRE OR CABLE.

2 "A TELEPHONE WIRE OR CABLE FOR WHICH A CUSTOMER HAS AN  
3 ACCOUNT" -- SO WE ARE TALKING ABOUT A TELEPHONE ACCOUNT, "WITH  
4 A LOCAL TELEPHONE COMPANY THAT PHYSICALLY CONNECTS THE  
5 CUSTOMER'S TELEPHONE OR PERSONAL COMPUTER TO THE LOCAL  
6 TELEPHONE COMPANY".

7 AND JUST VERY, VERY QUICKLY PUT A FINAL POINT ON IT,  
8 BECAUSE THE SAME PRINCIPLES APPLY FOR THE TERM WITH RESPECT TO  
9 THE TERM "SUBSCRIBER LINE".

10 THIS AGAIN IS COLUMN 64 OUT OF THE '049 PATENT. I WILL  
11 NOT RECITE OR REREAD THE ENTIRE THING. IT IS ROUGHLY BETWEEN  
12 LINES 24 AND 35. AND THIS IS THE EXCERPT, THE IMPORTANT  
13 EXCERPT OUT OF THE SPECIFICATION WHERE IT DOESN'T ALLOW FOR,  
14 BY INFERENCE, FOR THERE TO BE A WIRELESS COMMUNICATION AS PART  
15 OF THE SUBSCRIBER LINE COMMUNICATION. IT SPECIFICALLY RECITES  
16 IT. IT SAYS A CELLULAR TELEPHONE AS ITEM NUMBER 24.

17 AND, AGAIN, THIS IS REPEATING THE POINT WE ALREADY MADE  
18 WITH RESPECT TO COMMUNICATION LINE. "TERMINAL DEVICE NUMBER  
19 24 COMMUNICATES OVER SUBSCRIBER LINE, SUBSCRIBER LINE 96."

20 (PAUSE IN THE PROCEEDINGS.)

21 AND THE COMBINATION, I WOULD SAY IT IS A THREE-FOLD  
22 COMBINATION. THE LANGUAGE OF THE CLAIMS THEMSELVES THAT DON'T  
23 INCLUDE THE RESTRICTIVE TELEPHONE ACCOUNT LANGUAGE, NUMBER  
24 ONE, THE TEACHING OUT OF COLUMN 24 AND THE SPECIFICATION OF  
25 THE '049 PATENT, AND THEN FIGURE 1 ITEM 24 THE CELLULAR

1 TELEPHONE AND SUBSCRIBER LINE 96 TRUMP PAYPAL'S PROFFERED  
2 CONSTRUCTION BECAUSE THEY WOULD ELIMINATE FROM THIS CLEAR  
3 TEACHING THE CELLULAR TELEPHONE AND THE CONNECTION OF THAT  
4 CELLULAR TELEPHONE OVER THE DISPUTED TERM HERE "SUBSCRIBER  
5 LINE".

6 AND FOR THAT REASON, LIKE COMMUNICATION LINE, PAYPAL'S  
7 PROPOSED CONSTRUCTION OF SUBSCRIBER LINE IS FAR TOO LIMITING  
8 AND IT IS NOT SUPPORTED BY THE CANONS OF CLAIM CONSTRUCTION.

9 **THE COURT:** LET ME ASK YOU THIS: I UNDERSTAND THE  
10 PARTIES' RESPECTIVE POSITIONS AND I WILL WAIT, OBVIOUSLY, TO  
11 HEAR FROM THE OTHER SIDE ABOUT THEIR VIEW OF LIMITING OR MORE  
12 SPECIFICALLY DEFINING, HOWEVER THEY ARE GOING TO ARGUE IT, THE  
13 TERMS AT ISSUE.

14 IN TERMS OF EITHER COMMUNICATION LINE OR A SUBSCRIBER  
15 LINE, I UNDERSTAND YOUR ARGUMENT TO BE THAT IT IS NOT SO  
16 LIMITED AS PAYPAL WOULD HAVE IT BE LIMITED.

17 ONE OF THE THINGS THAT YOU DID NOT GET INTO IN YOUR  
18 OPENING REMARKS, AND I AM SURE I HAVE SAID THIS TO YOU FOLKS  
19 BEFORE, WHAT I THINK ABOUT IS, IS A JURY GOING TO BE CONFUSED  
20 ABOUT WHAT THE MEANING OF THESE TERMS ARE BECAUSE THE JURY  
21 WILL ULTIMATELY DECIDE WHETHER OR NOT THERE IS INFRINGEMENT  
22 AND THEY NEED TO -- THEY ARE THE ONES WHO ARE APPLYING THE  
23 FACTS TO THE TERMS IN THE PATENT.

24 SO IN TERMS OF A COMMUNICATION LINE OR A SUBSCRIBER LINE,  
25 IS IT YOUR POSITION THAT IT IS JUST NOT LIMITED TO A TELEPHONE

1 WIRE OR CABLE, OR DOES IT HAVE TO BE SPECIFICALLY -- I MEAN  
2 YOU'VE GIVEN ME SOME VERY SPECIFIC THINGS THAT YOU WANT ME TO  
3 IDENTIFY IT AS BEING WHERE THOSE TERMS ARE NOT SPECIFICALLY IN  
4 THE CLAIM.

5 THERE ARE OTHER PLACES I UNDERSTAND THAT I AM TRYING TO  
6 DISCERN WHAT THE PATENT MEANS, BUT ISN'T THAT WHAT YOU ARE  
7 ARGUING, THAT THEY ARE NOT LIMITED BY A TELEPHONE WIRE OR  
8 CABLE?

9 **MR. MC ANDREWS:** WITH RESPECT TO COMMUNICATION LINE  
10 AND SUBSCRIBER LINE, YOUR HONOR, THAT IS WHAT WE ARE ARGUING,  
11 YES.

12 **THE COURT:** SO DO TERMS EVER GET DEFINED IN THAT  
13 MANNER?

14 **MR. MC ANDREWS:** I AM SORRY. YOU'RE ASKING ARE THEY  
15 BOUNDLESS AND WITHOUT LIMIT? THEN MY ANSWER WOULD BE NO. ARE  
16 THEY LIMITED --

17 **THE COURT:** WELL THEY ARE A COMMUNICATION LINE AND  
18 THEY ARE A SUBSCRIBER LINE.

19 **MR. MC ANDREWS:** YES. YES. AND WE AGREE, WE AGREE  
20 WITH THE EXEMPLARY SELECTIONS MADE BY PAYPAL; THE CABLE, IS  
21 THAT -- CAN THAT BE A COMMUNICATION LINE? YES, IT CAN BE.

22 CAN A WIRE BE A COMMUNICATION LINE OR A SUBSCRIBER LINE?  
23 IT CAN BE.

24 IN FACT, I THINK, I THINK YOU INFER OR YOU CAN SEE FROM  
25 EXAMPLES THAT I OFFERED THAT IN SOME INSTANCES THEY ARE, BUT

1 THEY ARE NOT LIMITED TO THAT BECAUSE THERE ARE OTHER EXAMPLES.

2 SO THE POINT I AM MAKING IS THAT WITHIN THE CONFINES OF  
3 THE CLAIM LANGUAGE ITSELF AS INFORMED BY THE SPECIFICATION,  
4 YOU CAN INCLUDE TWO OF THE THREE. YOU CAN INCLUDE THE NAILS  
5 AND THE SCREWS AND THE THUMBTRACKS, BUT EXCLUDE THE BOLTS,  
6 ESPECIALLY WHEN THE BOLTS ARE ANOTHER EXAMPLE OFFERED IN THE  
7 SPECIFICATION. AND THAT'S EXACTLY WHAT WE HAVE HERE.

8 24 IS IDENTIFIED AS BEING, AMONG OTHER THINGS, A CELLULAR  
9 TELEPHONE. 96 IS VERY CLEARLY DEFINED AS BEING THE SUBSCRIBER  
10 LINE.

11 AND YOU MIGHT HAVE HEARD ME SAY THIS AT OUR TUTORIAL, I AM  
12 NOT A DOUBLE E IN ELECTRICAL ENGINEERING, I AM A SINGLE E. I  
13 AM AN ECON MAJOR, BUT I UNDERSTAND THE GIST OF WHAT THE  
14 INVENTORS ARE TEACHING THROUGH THE SPECIFICATION. WHEN I LOOK  
15 AT THAT GENERAL PURPOSE TERMINAL, ITEM NUMBER 4, THAT CAN BE A  
16 PDA WITH WIRELESS CONNECTIVITY, A CELLULAR TELEPHONE OR  
17 ANYTHING ELSE, AND I SEE A SUBSCRIBER LINE THAT ALLOWS FOR  
18 COMMUNICATION, A POINT-TO-POINT COMMUNICATION OR A  
19 POINT-TO-NETWORK COMMUNICATION, AS WE SEE IN SOME OF THE  
20 EXAMPLES HERE, I UNDERSTAND THAT THAT 96 THERE IN THE CASE OF  
21 THE CELLULAR TELEPHONE HAS TO BE A WIRELESS COMMUNICATION. IT  
22 CAN'T BE A LAND LINE OR A HARDWIRED COMMUNICATION. IT'S TOO  
23 LIMITING.

24 **THE COURT:** OKAY.

25 **MR. MC ANDREWS:** SO TO INCLUDE WIRELESS, WE THINK

1 IT'S NOT JUST ANOTHER CONVENIENCE FOR PAYMENTONE, IT'S AN  
2 EXAMPLE THAT IS ACTUALLY PROVIDED FOR, EXPRESSLY PROVIDED FOR  
3 IN THE SPECIFICATION. AND AS I SAID, WHEN WE GET INTO THE  
4 '500 PATENT, WE WILL ACTUALLY SEE EXAMPLES WHERE -- I WILL  
5 PULL THEM UP NOW.

6 (PAUSE IN THE PROCEEDINGS.)

7 THIS IS THE '500 PATENT, COLUMN 42, STARTING AT ABOUT  
8 LINE 10, IT'S CLAIMS 1 THROUGH CLAIM 7.

9 (DISPLAYED ON SCREEN.)

10 I AM SORRY. I KNOW THAT MAYBE THAT'S ILLEGIBLE, BUT I  
11 WILL READ THE RELEVANT PARTS.

12 IN THIS CASE WE ARE TALKING ABOUT A SUBSCRIBER ACCOUNT  
13 ASSOCIATED WITH THE BTN. THE RELEVANCE OF THE DEPENDENT  
14 CLAIMS HERE IS THAT DEPENDENT CLAIM 4 RECITES THE METHOD OF  
15 CLAIM 1 WHEREIN THE SUBSCRIBER ACCOUNT OF CLAIM 1 IS A  
16 TELEPHONE ACCOUNT.

17 SO, BY VIRTUE OF THE DOCTRINE OF CLAIM DIFFERENTIATION, WE  
18 KNOW THAT THE ACCOUNT, THE SUBSCRIBER ACCOUNT OF CLAIM 1 ISN'T  
19 JUST A TELEPHONE ACCOUNT. IT CAN'T BE. IT VIOLATES THE CANON  
20 OF CLAIM DIFFERENTIATION.

21 SO, TOO -- OR IN A SIMILAR WAY, I GUESS I SHOULD SAY, WHEN  
22 WE GET TO DEPENDENT CLAIM 6, IT RECITES THE METHOD OF  
23 PREVIOUSLY RECITED CLAIM 4, WHEREIN THE TELEPHONE NUMBER IS  
24 ASSOCIATED WITH A WIRELESS DEVICE.

25 SO, WHAT DOES THAT TELL US? THAT TELLS US THAT THE

1 TELEPHONE NUMBER, THE BTN OF INDEPENDENT CLAIM 1 CAN BE, CAN  
2 NECESSARILY BE A WIRELESS DEVICE, BUT IT'S NOT LIMITED TO  
3 THAT. OTHERWISE THE DEPENDENT CLAIM 6 WOULD BE SUPERFLUOUS.

4 IF WE CAN PUT A FINER POINT ON IT AND WE CAN, DEPENDENT  
5 CLAIM 7 RECITES THE METHOD OF CLAIM 4, WHEREIN THE TELEPHONE  
6 NUMBER IS ASSOCIATED WITH A LANDLINE DEVICE.

7 SO AT THE TIME OF MR. LYNAM'S INVENTION WITH HIS  
8 CO-INVENTORS, YOUR HONOR, VERY CLEARLY THE INVENTORS AND THE  
9 PROSECUTING COUNSEL UNDERSTOOD THE DISTINCTION BETWEEN  
10 ACCOUNTS ASSOCIATED WITH LINES, THE DISTINCTION BETWEEN  
11 TELEPHONE ACCOUNTS ASSOCIATED WITH LINES, AND IMPORTANTLY FOR  
12 THE PURPOSES OF THESE TWO PROPOSED CONSTRUCTIONS,  
13 COMMUNICATION LINE AND SUBSCRIBER LINE, THE DIFFERENCE BETWEEN  
14 COMMUNICATION LINES IN GENERAL AND THOSE THAT OCCUR WIRELESSLY  
15 ON THE ONE HAND, DEPENDENT CLAIM 6, DEPENDENT CLAIM 7 ON THE  
16 OTHER HAND RECITING A LANDLINE, A LANDLINE DEVICE ASSOCIATED  
17 WITH A TELEPHONE NUMBER.

18 **THE COURT:** OKAY. THANK YOU.

19 **MR. MC ANDREWS:** OKAY.

20 DID I ANSWER THE QUESTION --

21 **THE COURT:** GENERALLY.

22 **MR. MC ANDREWS:** -- WHAT THE LIMITATIONS ARE?

23 OKAY. MAYBE I CAN CLARIFY LATER.

24 THANK YOU, YOUR HONOR.

25 **THE COURT:** THANK YOU.



1           **MS. LUTTON:**   GOOD MORNING YOUR HONOR.

2           **THE COURT:**   GOOD MORNING.

3           **MS. LUTTON:**   I WOULD LIKE TO ADDRESS ONE MINOR POINT  
4           MADE BY COUNSEL AND THEN CLARIFY A BIGGER ISSUE, AND THEN  
5           REALLY GET TO THE ISSUE OF WHERE THE RUBBER MEETS THE ROAD.

6           THE MINOR POINT RELATES TO THE CLAIM DIFFERENTIATION  
7           ARGUMENT THAT COUNSEL MADE WITH REGARD TO CLAIMS 21 AND 27 OF  
8           THE '049 PATENT. I WILL JUST POINT OUT THAT THAT ARGUMENT IS  
9           NOWHERE IN THE BRIEFING, AND BECAUSE COUNSEL DID NOT DISCLOSE  
10          THE DEMONSTRATIVES FOR THAT POINT 48 HOURS IN ADVANCE, WE  
11          FIRST HEARD OF THAT TODAY.

12          THAT SAID, I BELIEVE THE ARGUMENT COUNSEL WAS MAKING WAS  
13          THAT THERE WAS SOME CLAIMANT DIFFERENTIATION ARGUMENT RELATING  
14          TO TELEPHONE ACCOUNT, THAT ONE CLAIM USED THE TERM "ACCOUNT"  
15          AND THE OTHER CLAIM USED THE TERM "TELEPHONE ACCOUNT". BUT  
16          THOSE TWO CLAIMS ARE NOT EVEN RELATED.

17          CLAIM 27 IS A CLAIM THAT DEPENDS FROM CLAIM 25 AND  
18          CLAIM 21 DEPENDS FROM CLAIM 20. SO THE RULES OF CLAIM  
19          DIFFERENTIATION WHICH WOULD SUGGEST THAT IF YOU HAD A CLAIM  
20          TERM THAT SAID -- THAT RECITED ACCOUNT AND THEN YOU HAD A  
21          DEPENDENT CLAIM RIGHT OFF OF THAT THAT SAID TELEPHONE ACCOUNT,  
22          THAT MIGHT BROADEN THE ACCOUNT. THAT RULE DOESN'T APPLY HERE  
23          BECAUSE THAT IS NOT HOW THE CLAIMS ARE STRUCTURED.

24          I JUST WANTED TO ADDRESS THAT MINOR POINT TO START WITH.  
25          I THINK THAT IS NOT GOING TO BE A MAJOR POINT IN THE

1 DISCUSSION, BUT I WANTED TO CLEAR THAT UP.

2 THE BIGGER POINT, I THINK, IS THAT THE EVIDENCE THAT WAS  
3 DISCUSSED IS EVIDENCE THAT RELATES TO DIFFERENT PATENTS IN  
4 DIFFERENT PATENT FAMILIES. THERE'S ONLY ONE PATENT AT ISSUE  
5 WHEN IT COMES TO THE TERM "SUBSCRIBER LINE" AND "COMMUNICATION  
6 LINE", AND THAT'S THE '049 PATENT.

7 AND JUST TO GIVE YOUR HONOR A LITTLE BIT OF CONTEXT ON  
8 THAT, IN THE 2001 TIME FRAME, AND I BELIEVE WE MENTIONED THIS  
9 DURING THE TUTORIAL, PAYMENTONE WAS IN THE BILL TO LANDLINE  
10 BUSINESS. AND, IN FACT, IF YOU LOOK AT STERN'S DECLARATION,  
11 PAYMENTONE'S OWN EXPERT DECLARATION, PAYMENTONE'S OWN EXPERT  
12 DIDN'T COME TO THIS BILL TO PHONE BUSINESS UNTIL MUCH LATER  
13 UNTIL 2006. PAYMENTONE THEMSELVES DIDN'T COME TO THIS  
14 BUSINESS UNTIL 2007.

15 SO THE '049 PATENT IS A PATENT THAT WAS FILED IN 2001. AT  
16 THAT TIME, PAYMENTONE WAS IN THE BILL TO LANDLINE BUSINESS.  
17 THAT FACT IN AND OF ITSELF IS NOT RELEVANT TO THE COURT'S  
18 INQUIRY, BUT IF YOU LOOK AT ALL THE EVIDENCE IN THE PATENT,  
19 WHICH I AM PREPARED TO STEP THROUGH, INCLUDING THE EVIDENCE  
20 THAT THEIR OWN EXPERT PRESENTED, IT ALL SUPPORTS THE POSITION  
21 THAT THE PATENT WAS RELATED TO THE BILL TO LANDLINE.

22 TWO OTHER PATENTS WERE MENTIONED, AT LEAST ONE OTHER WAS  
23 MENTIONED IN THE PAYMENTONE PRESENTATION, AND THAT'S THE '500  
24 AND THE '504 PATENTS. THOSE WERE FILED IN 2006 AND IN 2007.  
25 BY THAT TIME, PAYMENTONE WAS MOVING OVER TO THE CELLULAR

1 BUSINESS, AND THAT'S YEARS LATER. THOSE TWO PATENTS ARE IN A  
2 COMPLETELY DIFFERENT PATENT FAMILY. THEY ARE NOT RELATED TO  
3 THE '049 PATENT AT ALL. AND, IN FACT, IF YOU LOOK AT THOSE  
4 PATENTS AND GLEAN ANYTHING FROM IT, ONE OF THE PATENT CLAIMS  
5 OR TWO OF THE PATENT CLAIMS ACTUALLY ADDRESS WIRELESS.

6 FOR THE FIRST TIME IN THOSE PATENTS THAT WERE FILED IN  
7 2006, 2007, AND THE TERM "WIRELESS" WASN'T EVEN ADDED INTO  
8 THOSE PATENT CLAIMS UNTIL 2010. SO THE TERM "WIRELESS"  
9 APPEARS NOWHERE IN ANY OF THE CLAIMS AT ISSUE UNTIL 2010.

10 BUT THE BIG PICTURE POINT IS, ON THE TERMS "SUBSCRIBER  
11 LINE" AND "LANDLINE" THOSE ARE ONLY IN THE '049 PATENT, SO I  
12 AM ONLY GOING TO DISCUSS THAT EVIDENCE. WHETHER THERE ARE  
13 CLAIMS TERMS ADDED IN 2010 RELATED TO WIRELESS, TO ME, IS NOT  
14 RELEVANT TO THE COURT'S INQUIRY.

15 PAYMENTONE DID EXCHANGE THE SLIDE DECK THAT HAD THE  
16 QUOTATIONS FROM THE FEDERAL CIRCUIT. I WILL SAY THAT I  
17 COMPLETELY AGREE WITH EACH ONE OF THOSE QUOTATIONS. THIS IS  
18 ACCURATE IN TERMS OF WHAT THE LAW IS. WE DON'T HAVE ANY  
19 DISPUTE ABOUT THAT.

20 WHAT I AM CONCERNED WITH IS HOW PAYMENTONE HAS BROUGHT  
21 THAT LAW TOGETHER TO SUGGEST A CERTAIN METHODOLOGY FOR CLAIM  
22 CONSTRUCTION. IN PARTICULAR, PAYMENTONE SEEMS TO SUGGEST THAT  
23 THE TERM "SUBSCRIBER LINE" AND "COMMUNICATION LINE" NATURALLY  
24 MEAN SOMETHING THAT'S NOT A LINE, IT IS A WIRELESS  
25 COMMUNICATION THROUGH THE AIR AND, THEREFORE, ANY OTHER

1 CONSTRUCTION HAS TO INVOLVE IMPORTING LIMITATIONS INTO THE  
2 CLAIM.

3 WELL, I THINK IT IS VERY TELLING THAT THERE IS NOT ONE  
4 CASE THAT PAYMENTONE CITES THAT'S ON ALL FOURS OR EVEN  
5 ANALOGOUS TO THIS CASE. IF YOUR HONOR LOOKS AT THE THORNER  
6 CASE ON WHICH PAYMENTONE HEAVILY RELIES, THE ACTUAL DISPUTED  
7 TERM WAS "ATTACHED TO SAID PAD". AND THE ISSUE WAS WHETHER  
8 THAT ATTACHMENT HAD TO BE LIMITED TO BEING ATTACHED TO THE  
9 EXTERNAL SURFACE.

10 THAT'S A COMPLETELY DIFFERENT SITUATION THAN, FOR EXAMPLE,  
11 TRYING TO DEFINE WHAT IT MEANT TO BE ATTACHED, WHETHER A PIECE  
12 OF PAPER ON THE COMPUTER WAS ATTACHED OR TRYING TO DEFINE AN  
13 ACTUAL TERM.

14 SO THERE IS NO CASE THAT PAYMENTONE CITES THAT SUGGESTS IN  
15 A CASE LIKE THIS THE COURT WOULD BE IMPORTING A LIMITATION BY  
16 ACTUALLY CONSTRUING THE CLAIM TERM "COMMUNICATION LINE" OR  
17 "SUBSCRIBER LINE" TO READ ON A LINE BUT NOT SOME SORT OF AN  
18 ETHER WIRELESS CONNECTION.

19 STEPPING BACK AT A HIGH LEVEL AS TO WHAT THE '049 PATENT  
20 IS ABOUT, THE ISSUE THAT WAS BEING ADDRESS IN THE '049 PATENT  
21 WAS AN ISSUE THAT A LOT OF COMPANIES WERE ADDRESSING IN 2001.

22 IN 2001, CONSUMERS WERE AFRAID TO GIVE THEIR CREDIT CARD  
23 INFORMATION OVER THE INTERNET. I KNOW THAT SOME PEOPLE,  
24 INCLUDING MY MOM, ARE STILL AFRAID TO DO THAT, BUT PEOPLE HAVE  
25 GRAVITATED BEYOND THAT.

1           SO, IN 2001 BECAUSE PEOPLE WERE AFRAID TO GIVE THEIR  
2       CREDIT CARD NUMBER OVER THE INTERNET, A NUMBER OF COMPANIES  
3       WERE WORKING IN THIS FIELD CALLED BILL TO LANDLINE WHERE  
4       INSTEAD OF USING YOUR CREDIT CARD TO CHARGE A TRANSACTION, YOU  
5       COULD USE YOUR HOME TELEPHONE NUMBER. AND THAT'S ACTUALLY  
6       RECITED IN THE '049 PATENT AT COLUMNS 4, LINES 59 TO 60 AND IN  
7       PAYPAL'S SLIDE 24, IT ACTUALLY TALKS ABOUT THE FACT THAT USERS  
8       WERE UNWILLING TO SUBMIT FINANCIAL CARD INFORMATION TO VENDORS  
9       FOR SECURITY REASONS.

10           SO THE PATENT PURPORTS TO TRY AND ADDRESS THAT ISSUE. AND  
11       IT SHOWS ONE WAY OF ATTEMPTING TO ADDRESS IT. BUT IF YOU CAN  
12       IMAGINE, IF YOU ARE ACTUALLY GOING TO USE YOUR HOME PHONE  
13       NUMBER TO BILL A CHARGE, THERE ARE OTHER SECURITY CONCERNS. I  
14       DON'T KNOW YOUR CREDIT CARD INFORMATION. I MIGHT HAVE THE  
15       COURT'S PHONE NUMBER BY LOOKING IT UP ON THE INTERNET. I MAY  
16       ALSO HAVE OTHER PEOPLE'S PHONE NUMBERS AND COULD ALSO CHARGE  
17       TO THEIR NUMBER. SO THERE'S OTHER CONCERNS RELATED TO  
18       SECURITY THAT ARISE IF YOU'RE GOING TO USE A PHONE NUMBER  
19       VERSUS A CREDIT CARD.

20           SO THE TWO WAYS THAT THE PATENT ATTEMPTS TO ADDRESS THIS  
21       IS, FIRST, THE PATENT ATTEMPTS TO VALIDATE THAT YOU'RE  
22       ACTUALLY COMMUNICATING THROUGH YOUR COMPUTER ON THE SAME LINE  
23       THAT IS YOUR TELEPHONE LINE. THIS WAS 2001. WE HAD COMPUTERS  
24       CONNECTED UP TO DIAL-UP MODEMS, AND IN MOST CASES -- THIS IS  
25       ONE EMBODIMENT OF THE PATENT, IN MOST CASES YOU WOULD HAVE A

1 SUBSCRIBER LINE THAT WOULD CONNECT YOUR TELEPHONE TO THE  
2 TELEPHONE COMPANY, AND IF YOU WANTED TO USE YOUR COMPUTER AT  
3 HOME, YOU WOULD CONNECT YOUR COMPUTER INTO THAT SAME LINE  
4 THROUGH A MODEM.

5 YOU MAY REMEMBER IN 2001, YOU WOULD CALL PEOPLE AND YOU  
6 WOULD GET A DIAL TONE AND IT WOULD KEEP RINGING AND RINGING  
7 BECAUSE THEY WERE ON THEIR COMPUTER AT THE TIME. THAT WAS ONE  
8 EMBODIMENT.

9 SOME PEOPLE ACTUALLY HAD TWO LINES. SO INSTEAD OF HAVING  
10 THE SUBSCRIBER LINE ALSO BE WHAT IS REFERRED TO AS A  
11 COMMUNICATION LINE, SO IT'S A SUBSCRIBER LINE BECAUSE IT IS  
12 CONNECTING YOUR TELEPHONE AND IT'S ALSO THE COMMUNICATION LINE  
13 BECAUSE YOU ARE GOING BACK AND FORTH BETWEEN YOUR TELEPHONE  
14 AND YOUR COMPUTER, SOME PEOPLE HAD TWO LINES IN THEIR HOUSE.

15 I REMEMBER AROUND 2004, I WAS ACTUALLY ABLE TO GET TWO  
16 LINES. I WAS VERY DELIGHTED THE PHONE COMPANY WOULD ACTUALLY  
17 PUT A PLUG IN THE WALL WITH TWO DIFFERENT LINES. ONE OF THEM,  
18 WHICH WAS CALLED A SUBSCRIBER LINE, AND I GOT MY BILL AT THE  
19 END OF THE MONTH. IT ACTUALLY LISTED ALL MY CHARGES. AND THE  
20 OTHER ONE I USED FOR THE INTERNET.

21 THE PATENT DISCLOSES THAT EMBODIMENT, AND TO DIFFERENTIATE  
22 BETWEEN THE TWO LINES, IT SAYS, ONE LINE IS A SUBSCRIBER LINE,  
23 AND THE OTHER ONE, EVEN THE CLAIMS ADDRESS THIS, THE ONE THAT  
24 CONNECTS THE COMPUTER OR ELECTRONIC TERMINAL, WE'RE GOING TO  
25 CALL THAT THE COMMUNICATION LINE.

1 AS CLAIM 9 RECITES, SOMETIMES IT CAN BE ONE IN THE SAME  
2 AND BECAUSE CLAIM 8 DOESN'T -- YOU KNOW, SOMETIMES THEY CAN BE  
3 DIFFERENT.

4 SO ACTUALLY -- SO THAT'S GENERALLY WHAT THE PATENTS ARE  
5 ABOUT. AND I WANT TO STEP BACK TO PAYMENTONE'S PREMISE THAT  
6 THESE TERMS "COMMUNICATION LINE" AND "SUBSCRIBER LINE", WHICH  
7 WERE CLEARLY RECITED NUMEROUS TIMES DURING THE PATENT, MUST  
8 NECESSARILY MEAN CELLULAR, NOT JUST A PHYSICAL LINE. AND I  
9 WANT TO NOTE A FEW THINGS.

10 FIRST, THEIR OWN EXPERT NEVER TESTIFIED THAT ANYBODY WAS  
11 IN THIS BILL-TO-CELLULAR SPACE IN 2001. NOT JUST THE PARTIES  
12 IN THIS SUIT, BUT COMPANIES WEREN'T IN THIS SPACE IN 2001.  
13 AND, IN FACT, AS I MENTIONED, SHE DIDN'T EVEN COME TO THE  
14 SPACE UNTIL 2006.

15 IT IS ALSO UNDISPUTED THAT THE TECHNOLOGY DISCLOSED IN THE  
16 PATENT AS A WHOLE COULD HAVE ONLY BE BEEN USED IN 2001 FOR  
17 LANDLINE, NOT FOR CELLULAR. NOTHING IN STERN'S DECLARATION,  
18 PAYMENTONE'S OWN DECLARATION SUGGESTS OTHERWISE. AT MOST,  
19 WHAT STERN TESTIFIED TO WAS THAT CERTAIN OF THE BLOCKS IN, FOR  
20 EXAMPLE, FIGURE 15, COULD ALSO HAVE BEEN USED IN THE CELLULAR.

21 AND I WILL SAY, I DO AGREE THAT TO THE EXTENT THE EXPERTS  
22 PROVIDED OPINION WITHOUT SUPPORT, THE COURT SHOULD GIVE LITTLE  
23 WEIGHT TO THAT. AND I THINK IF YOUR HONOR LOOKS AT THE STERN  
24 DECLARATION, MOST OF THE COMMENTS SHE MADE WERE UNSUPPORTED.

25 I ALSO WANT TO NOTE THAT IF YOUR HONOR WERE TO LOOK AT

1 MS. STERN'S DECLARATION AND LOOK AT HER OWN DEFINITION OF WHAT  
2 SHE BELIEVED "LINE" MEANT, HER OWN DEFINITION IS INCONSISTENT  
3 WITH THE CLAIMS THEMSELVES. STERN DECLARATION, PARAGRAPH 12,  
4 SAYS THAT THE WIRELESS SIDE OF TELECOMMUNICATIONS INDUSTRY  
5 USES A TERM "LINE" AND IT IS WELL UNDERSTOOD TO MEAN  
6 SUBSCRIBER ACCOUNT OR NUMBER.

7 SO IT IS NO LONGER A PHYSICAL LINE, IT IS NOW, IN HER  
8 VIEW, A SUBSCRIBER ACCOUNT OR A NUMBER.

9 IF YOUR HONOR LOOKS AT THE ACTUAL CLAIMS IN SUIT, I AM ON  
10 SLIDE 10, AND LOOKS AT THE TERM "COMMUNICATION LINE", THE  
11 FIRST INSTANCE SHOWS THAT THE COMMUNICATION LINE CONNECTS THE  
12 ELECTRONIC TERMINAL, LIKE YOUR COMPUTER AT HOME, TO THE  
13 COMMUNICATION NETWORK. THAT'S HOW YOU ARE GOING TO BUY YOUR  
14 ITEMS.

15 IN THAT INSTANCE, YOU CAN'T TAKE THE WORD "COMMUNICATION  
16 LINE" AND SUBSTITUTE IN SUBSCRIBER OR ACCOUNT OR NUMBER.  
17 SUBSCRIBER ACCOUNTS DON'T CONNECT. NUMBERS DON'T CONNECT.

18 IT'S THE SAME THING THROUGHOUT THE REST OF THE TERM.  
19 THERE'S-- THE REFERENCE FROM AN ACCOUNT ASSOCIATED WITH THE  
20 COMMUNICATION LINE. IF THE COMMUNICATION LINE IS THE ACCOUNT,  
21 THAT WOULD BE REDUNDANT.

22 SAME THING WITH CLAIM 22, LOOKING AT THE TERM "SUBSCRIBER  
23 LINE". IT'S THE SUBSCRIBER LINE TO WHICH THE ELECTRONIC  
24 TERMINAL IS CONNECTED. AND I AM ON SLIDE 13. IT'S A PHYSICAL  
25 LINE. IT IS NOT AN ACCOUNT OR A NUMBER.



1           **THE COURT:** I AM SORRY, I AM MISSING SOMETHING, AND I  
2 APOLOGIZE.

3           I AM LOOKING AT PAYMENTONE'S CONSTRUCTION, AND THEY DON'T  
4 TALK ABOUT IT BEING AN ACCOUNT OR A NUMBER.

5           **MS. LUTTON:** THEIR EXPERT STERN, WHEN SHE PROVIDED  
6 TESTIMONY TO SUPPORT THEIR CONCLUSION --

7           **THE COURT:** OKAY.

8           **MS. LUTTON:** HER DECLARATION WAS SUGGESTING THAT WHEN  
9 SHE READ THE PATENT AND SHE SAW THE WORDS "COMMUNICATION LINE"  
10 AND "SUBSCRIBER LINE", SHE THOUGHT THEY MEANT WIRELESS. AND  
11 SHE SAID BECAUSE WHEN SHE SEES THE TERM "LINE", HOW SHE  
12 CONSTRUES THAT TERM IS SHE CONSTRUES THE TERM TO MEAN  
13 SUBSCRIBER ACCOUNT OR NUMBER. IT'S AT STERN DECLARATION  
14 PARAGRAPH 12.

15           **THE COURT:** OKAY.

16           **MS. LUTTON:** BUT THE BOTTOM LINE IS --

17           **THE COURT:** I WILL LET YOU ALL KNOW, I HAVE NOT READ  
18 THOSE DECLARATIONS YET BECAUSE I DON'T KNOW THAT I NEED TO, SO  
19 I ALWAYS LIKE NOT TO.

20           **MS. LUTTON:** OKAY. GREAT.

21           SO THE BOTTOM LINE IS THAT THE STARTING POINT FOR THIS  
22 ANALYSIS CAN'T BE THAT THE TERM "LINE" HAS SOME MEANING AND  
23 THAT PAYPAL IS SOMEHOW SUGGESTING THAT THE COURT LIMIT THAT  
24 MEANING.

25           AND I WOULD LIKE TO STEP THROUGH -- ACTUALLY, I WILL QUOTE

1 ONE CASE THAT MAKES THIS VERY CLEAR FROM THE FEDERAL CIRCUIT.  
2 I DON'T BELIEVE THIS WAS IN PAYMENTONE'S MATERIAL. IT'S THE  
3 ABBOTT CASE THAT WE HAD CITED WHERE THE FEDERAL CIRCUIT STATED  
4 IN 2009 THAT WIDENING THE SCOPE OF THE PATENTEE'S CLAIMS  
5 BEYOND THAT WHICH IS ACTUALLY INVENTED, THEY SAID THAT THEY --  
6 COURTS SHOULD ATTEMPT TO AVOID THAT BECAUSE THAT WOULD RESULT  
7 IN A WINDFALL TO THE INVENTOR AT THE EXPENSE OF FUTURE  
8 INNOVATION AND PROPER NOTICE TO THE PUBLIC OF THE SCOPE OF THE  
9 CLAIMED INVENTION. AND I THINK THAT'S EXACTLY WHAT THE ISSUE  
10 IS HERE.

11 **THE COURT:** ALTHOUGH THERE ARE CASES ON THE OTHER  
12 SIDE FOR BOTH OF YOU. I AM SURE THAT AT SOME POINT IN TIME IN  
13 OUR 20-, 30-YEAR HISTORY HERE, YOU WILL ARGUE THE OPPOSITE,  
14 RIGHT, THAT THEY ARE ENTITLED TO THE PATENT, TO THE PLAIN  
15 LANGUAGE OF THE PATENT.

16 **MS. LUTTON:** I BELIEVE THAT THEY ARE. AND MY POINT  
17 IS THAT THERE IS NO PLAIN -- THEY CITED NO EVIDENCE THAT THE  
18 PLAIN LANGUAGE FOR COMMUNICATION LINE AND SUBSCRIBER LINE IS  
19 SOME SORT OF A WIRELESS CONNECTION.

20 SO I AM SAYING THAT THAT STARTING POINT IS NOT THE RIGHT  
21 STARTING POINT. NOW, THEY COULD HAVE DEFINED THE TERM  
22 "COMMUNICATION LINE" TO INCLUDE WIRELESS IF THEY HAD CHOSEN  
23 TO, BUT THEY DIDN'T DO THAT.

24 **THE COURT:** BUT WHY IS IT -- YOU KNOW, YOU -- BOTH  
25 SIDES ARE MAKING THIS VERY SPECIFIC TO AND RESULT ORIENTED.

1           WHY AREN'T WE TALKING ABOUT WHAT IS COMMUNICATION? WHAT  
2           IS COMMUNICATION? IF I TOLD A JUROR TO -- THAT THE DISPUTE IN  
3           THIS CASE IS OVER A COMMUNICATION LINE, THAT SUGGESTS A MODE  
4           OF COMMUNICATING BETWEEN AT LEAST TWO PARTIES.

5           WHY IS THAT SO DIFFICULT TO UNDERSTAND? WHY CAN'T A  
6           NORMAL -- OR A PERSON OF ORDINARY SKILL IN THE ART UNDERSTAND  
7           THAT COMMUNICATION IS WHAT IT MEANS. MAYBE YOU COULD ADDRESS  
8           THAT ISSUE.

9           **MS. LUTTON:** I DO BELIEVE THAT COMMUNICATION ITSELF  
10          IS WHAT IT MEANS. IT'S LINE THAT IS THE MEDIUM FOR THAT  
11          COMMUNICATION.

12          SO COMMUNICATION IS JUST THE ABILITY, AS THE PATENT  
13          DESCRIBES, FOR A USER OR AN ORDINARY PERSON TO BE ABLE TO  
14          COMMUNICATE WITH SOME SORT OF A WEBSITE TO PURCHASE ITEMS. SO  
15          COMMUNICATION SHOULD HAVE ITS ORDINARY MEANING.

16          LINE IS A SPECIFIC TERM THAT EVEN STERN NOTES CAME FROM  
17          THE LANDLINE DAYS AND MEANT SOMETHING.

18          **THE COURT:** OKAY. SO WHY AM I CONSTRUING EVERYTHING  
19          OTHER THAN JUST LINE HERE? WHY DOESN'T THIS ALL BOIL DOWN TO  
20          WHAT IS A LINE EFFECTIVE, YOU KNOW, 2001, WHEN THIS PATENT WAS  
21          WRITTEN?

22          **MS. LUTTON:** SO I THINK WHEN IT COMES TO THE TERM  
23          "COMMUNICATION LINE", THAT WOULD BE APPROPRIATELY APPROPRIATE  
24          TO JUST SAY THIS IS WHAT LINE MEANS IN THIS CONTEXT.

25          **THE COURT:** WHAT ABOUT SUBSCRIBER LINE?

1           **MS. LUTTON:** SUBSCRIBER HAD MORE OF A -- IT'S EVIDENT  
2 FROM THE PATENT, SUBSCRIBER WAS THE TELEPHONE SUBSCRIBER. SO  
3 SUBSCRIBER HAD A LITTLE BIT MORE OF A MEANING. AND I ALSO  
4 THINK THE JURY MIGHT BE MORE CONFUSED WITH THAT TERM.

5           WHAT ARE THEY SUBSCRIBING TO? THE PATENT SAYS THEY ARE  
6 SUBSCRIBING TO THE TELEPHONE SERVICE. THEY MAY BE CONFUSED AS  
7 TO WHAT SUBSCRIBER MEANS. SO IT'S NOT TO ME AS CLEAR AS  
8 COMMUNICATION.

9           **THE COURT:** OKAY. GO AHEAD.

10          **MS. LUTTON:** I KNOW YOUR HONOR HAS NOT LOOKED THROUGH  
11 THE VARIOUS DECLARATIONS, I WANT TO STEP THROUGH -- THERE ARE  
12 CERTAIN THINGS THAT ARE NOT IN DISPUTE WHEN IT COMES TO THE  
13 DECLARATION.

14          AS YOUR HONOR IS WELL AWARE, PAYPAL HIRED MR. FLOOD TO  
15 PROVIDE A DECLARATION. PAYMENTONE THEN TOOK MR. FLOOD'S  
16 DEPOSITION AND THEN SUBMITTED THEIR OWN DECLARATION REBUTTING  
17 A NUMBER OF THE STATEMENTS MADE IN THE DECLARATION.

18          BUT THERE IS NO DISPUTE ABOUT A NUMBER OF THINGS. NUMBER  
19 ONE, THERE IS NO DISPUTE THAT A LOT OF THE TERMS THAT ARE USED  
20 IN THE '049 PATENT ARE LANDLINE ONLY. THEY ARE NOT CELLULAR.  
21 AND I CAN LIST THEM OUT. IT'S CLEC, CABLE, ONNET, OFFNET.  
22 THERE'S NO DISPUTE THAT THOSE ARE ONLY LANDLINE, AND THOSE  
23 FORM PART OF THE FIGURE THAT ENABLES THE PATENT THAT SHOWS HOW  
24 TO IMPLEMENT THE PATENT. THEY ARE ACTUALLY USING LANDLINE  
25 SPECIFIC TERMS.

1           THERE IS ALSO NO DISPUTE THAT THERE IS NO CELLULAR  
2           TERMINOLOGY THROUGHOUT THE PATENT WHEN IT ACTUALLY COMES TO  
3           THE INFRASTRUCTURE. THE ONLY INFRASTRUCTURE DISCLOSED RELATES  
4           TO LANDLINE. AND FLOOD, ACTUALLY, AT PARAGRAPH 16 OF HIS  
5           DECLARATION, LISTED NUMEROUS CELLULAR TERMS THAT ARE NOT IN  
6           THE PATENT. HOME LOCATION REGISTER, AUTHENTICATION CENTER.  
7           THERE ARE A NUMBER OF THEM THAT HE LISTS.

8           THERE IS NO DISPUTE THAT THE OVERALL INFRASTRUCTURE  
9           DISCLOSED IS LANDLINE AND COULDN'T HAVE BEEN USED FOR WIRELESS  
10          IN 2001. SO THE ENTIRE DISCLOSURE RELATES TO LANDLINE.

11          AND IF YOUR HONOR LOOKS AT SOME OF THE INSTANCES OF  
12          LANDLINE IN THE PATENT, IT ACTUALLY TALKS ABOUT THE SUBSCRIBER  
13          LINE USING A LANDLINE TELEPHONE. SO EVEN THE EXAMPLE SPECIFIC  
14          EXAMPLES THAT ARE GIVEN, ARE GIVEN IN RELATIONSHIP TO  
15          LANDLINE.

16          NOT ONLY THAT, BUT WHEN I MENTIONED THAT THE PATENT WAS  
17          ABOUT ENSURING THAT BILLS TO A PHONE NUMBER WOULD BE SECURE, I  
18          MENTIONED THAT ONE STEP OF THAT PROCESS WAS TO MAKE SURE THAT  
19          YOU WERE ACTUALLY USING THE PHYSICAL LINE YOU WERE BILLING TO.  
20          YOU HAVE GOT YOUR COMPUTER HOOKED UP TO THE SAME LINE YOU ARE  
21          GETTING YOUR BILL TO, SO I AM NOT BILLING TO MY PARTNER'S  
22          PHONE NUMBER, I AM ONLY BILLING TO THE PHONE ASSOCIATED WITH  
23          THE LINE THAT MY COMPUTER IS HOOKED UP TO. THAT'S ONE STEP.

24          THE SECOND STEP THAT THE PATENT PROVIDES IS TO CHECK OUT  
25          WHETHER THAT PHONE SHOULD EVEN BE BILLED TO. AND SO THERE ARE

1 HOST OF CODES THE PATENT PROVIDES AS EXAMPLES OF PHONES AND  
2 PHONE LINES THAT SHOULD NOT BE BILLABLE.

3 FOR EXAMPLE, THE PATENT GIVES THE EXAMPLE OF A DORM ROOM  
4 OR A PRISON OR A HOSPITAL WHERE I MIGHT BRING MY PHONE INTO A  
5 DORM OR INTO A HOSPITAL AND HOOK IT UP TO A PHONE LINE, BRING  
6 MY COMPUTER AND HOOK IT UP TO A PHONE LINE, BUT I SHOULDN'T BE  
7 ABLE TO BILL THAT PHONE LINE IF I WANTED TO CHARGE SOMETHING  
8 ON AMAZON.

9 SO THE PATENT LISTS NUMEROUS EXAMPLES WHERE THE PHONE  
10 SHOULDN'T BE BILLABLE, AND IT SPECIFICALLY SAYS CELLULAR IS  
11 AVAILABLE. THAT'S BECAUSE THERE WAS NO INFRASTRUCTURE FOR  
12 BILLING CELLULAR IN 2001. IT WAS SPECIFICALLY DISAVOWED  
13 DURING THE ACTUAL PATENT ITSELF AS BEING NONBILLABLE. IT SAYS  
14 HERE AT -- THIS IS, I BELIEVE, IN TABLE 2 AND IT'S ON SLIDE 30  
15 OF PAYPAL'S SLIDES, IT HAS A CODE 231. AND THE CODE SAYS  
16 "UNBILLABLE". AND THE REASON IS BECAUSE THE LINE NUMBER  
17 BELONGS TO A WIRELESS PROVIDER.

18 SAME THING WITH TABLE 3 IN THE PATENT. NONBILLABLE, DOES  
19 NOT HAVE ROUTING OR ALLOW BILLING E.G. CELLULAR.

20 AND THEN HERE'S ANOTHER DENIED CODE. THIS IS CHECKING TO  
21 SEE CAN WE BILL TO THIS. IT GIVES A HOST OF CODES THAT ARE  
22 JUST NOT BILLABLE. JUST LIKE YOU COULDN'T BILL A HOSPITAL  
23 ROOM, YOU COULDN'T BILL A DORM ROOM, YOU COULDN'T BILL A  
24 PRISON PHONE, YOU CAN'T BILL A CELLULAR PHONE EITHER.

25 AND EVEN IF YOUR HONOR DOES NOT CONSIDER THE SPECIFIC

1 STATEMENTS MADE BY THE EXPERTS DURING THEIR DECLARATION,  
2 DR. STERN ACTUALLY SUPPORTED -- MS. OR DOCTOR, I DON'T RECALL  
3 WHICH ONE SHE IS AND I DON'T WANT TO NOT GIVE HER CREDIT IF  
4 SHE IS A DOCTOR, BUT EXPERT STERN PROVIDED SOME EVIDENCE TO  
5 ACTUALLY SUPPORT HER POSITIONS. ALL OF THAT EVIDENCE ACTUALLY  
6 SUPPORTS PAYPAL'S POSITION.

7 SHE CITES TO ONE DOCUMENT, A LIFELINE DOCUMENT. AND THIS  
8 IS A MAY 1997 DOCUMENT. AND SHE SAYS BECAUSE LIFELINE APPLIES  
9 IN -- LIFELINE IS MORE OF A MARKETING TERM. IT WAS A TERM  
10 USED IN THE TELEPHONE INDUSTRY TO -- IN ORDER TO GIVE  
11 INDIVIDUALS WHO DIDN'T HAVE A LOT OF MONEY OR INCOME ACCESS TO  
12 TELEPHONE SERVICES, SO THEY USED THE TERM LIFELINE.

13 SHE SAYS BECAUSE THE MARKETING TERM "LIFELINE" WAS USED IN  
14 THE CONTEXT OF CELLULAR, LINE ITSELF MUST BE A CELLULAR TERM.  
15 BUT IF YOU LOOK AT THAT ACTUAL DOCUMENT ITSELF, IT MADE CLEAR  
16 THAT LIFELINE ITSELF WASN'T USED FOR WIRELESS UNTIL 2005. AND  
17 THAT'S -- I HAVE A CITE ON SLIDE 37 FOR THAT. IT'S AT  
18 FCC.GOV/LIFELINE PROGRAM ITSELF.

19 THE VERY DOCUMENT SHE CITES SAYS, "UNDER EITHER PLAN,  
20 QUALIFYING SUBSCRIBERS MAY RECEIVE ASSISTANCE FOR A SINGLE  
21 TELEPHONE LINE IN THEIR PRIMARY RESIDENCE." SO THE DOCUMENT  
22 ITSELF IS TALKING ABOUT LANDLINE.

23 NOW, I DON'T THINK THIS LIFELINE IS ALL THAT RELEVANT. I  
24 DON'T THINK A MARKETING TERM IS ALL THAT RELEVANT ANYWAY, BUT  
25 I DID WANT TO ADDRESS THAT EVIDENCE.

1 I THINK THE MORE RELEVANT EVIDENCE RELATES TO THE VERIZON  
2 2001 ANNUAL REPORT THAT STERN CITES. SO STERN, IN HER  
3 DECLARATION, NOTED THAT SHE WORKED FOR VERIZON FOR 30 YEARS.  
4 AND THEN THE ONLY REAL CONTEMPORANEOUS EVIDENCE THAT SHE CITES  
5 FROM 2001 THAT ADDRESSES THE TERM "LINE" IS VERIZON'S 2001  
6 ANNUAL REPORT.

7 AND WHAT STERN POINTS THE COURT TO IS A PORTION OF THE  
8 REPORT THAT ADDRESSES, AGAIN, A MARKETING TERM "HOPELINE".

9 AND SHE SAYS, BECAUSE HOPELINE, AND THIS IS A TERM THAT'S  
10 BEING USED FOR DOMESTIC VIOLENCE PROGRAM, CAN BE USED IN THE  
11 CELLULAR CONTEXT, THEREFORE, LINE MUST BE CELLULAR.

12 BUT IF YOU ACTUALLY LOOK AT THAT REPORT, AND IT HAS NOW  
13 BEEN SUBMITTED AS PART OF THE JOINT CLAIM CONSTRUCTION  
14 STATEMENT AS AN APPENDIX, AND WE HAVE REATTACHED IT TO OUR  
15 SLIDE DECK SO THE COURT CAN ACTUALLY VIEW THE DOCUMENT.

16 I BELIEVE THE LINK WAS PROVIDED IN STERN'S REPORT. AND I  
17 ACTUALLY FOUND IT EASIER TO GO TO THE LINK AND SEARCH FOR THE  
18 TERM "LINE" AND FIND OUT WHERE IT APPEARED AND HOW IT WAS  
19 BEING USED BY STERN'S VERY COMPANY IN 2001. "LINE" IS NEVER,  
20 IN THAT REPORT, USED TO REFER TO WIRELESS. NOT ONCE.

21 IN FACT -- I AM ON SLIDE 39 -- I KNOW THE HIGHLIGHTING IS  
22 A LITTLE BIT DIFFICULT TO SEE, BUT IF YOU ACTUALLY TURN TO  
23 SLIDE 4 OF THE VERIZON ANNUAL REPORT, VERIZON IS DISCUSSING  
24 THEIR VARIOUS BUSINESSES. AND VERIZON FIRST DISCUSSES THEIR  
25 WIRELINE BUSINESS, AND THE FIRST ORANGE HIGHLIGHTED WORD SAYS,



1 "WIRELINER." "VERIZON SERVICES, RESIDENTIAL AND BUSINESS  
2 WIRELINE CUSTOMERS."

3 IN ADDRESSING WIRELINE CUSTOMERS, VERIZON USES THE TERM  
4 "LINE" BECAUSE LINE WAS A WIRED TERM. IF YOU GO FORWARD AND  
5 READ MORE OF THAT PARAGRAPH, THEY DEFINE THE SCOPE OF THEIR  
6 BUSINESS, HOW MUCH IN THE MARKET THEY HAVE IN TERMS OF THE  
7 NUMBER OF ACTUAL PHYSICAL LINES THEY HAVE.

8 THEY SAY "WE HAVE MORE THAN 61 MILLION ACCESS LINES AND  
9 MORE THAN 132 MILLION VOICE GRADE EQUIVALENT LINES."

10 SO HERE IS VERIZON ITSELF TALKING ABOUT WIRELINE AND THEY  
11 ARE USING THE TERM "LINE" TO DESCRIBE THEIR MARKET. AS YOU  
12 MAY RECALL FROM THE TUTORIAL, LINES RELATE THROUGHOUT THE  
13 ENTIRE COUNTRY. THEY ARE PHYSICAL CABLE WIRES. THAT IS HOW  
14 STERN'S AND PAYMENTONE'S OWN EXPERT, HER COMPANY WAS DEFINING  
15 LINE.

16 THEN, ON THE VERY SAME PAGE, ACTUALLY RIGHT BELOW, THEY  
17 TALK ABOUT THEIR WIRELESS MARKET. IN 2001, VERIZON WAS ONE OF  
18 THE VERY FEW COMPANIES THAT WAS IN BOTH MARKETS. SO NOW THEY  
19 ARE TALKING ABOUT THEIR WIRELESS MARKET AND THEY'RE TRYING TO  
20 DESCRIBE WHAT SHARE OF THE MARKET THEY HAVE. THEY NEVER USE  
21 LINE FOR WIRELESS. THEY ONLY TALK ABOUT CUSTOMERS OR  
22 SERVICES.

23 HERE ON THE CHART, THEY SHOW THEY HAVE 92 PERCENT OF  
24 SERVICES. AND TALKING ABOUT THE SCOPE OF THEIR BUSINESS, THEY  
25 TALK ABOUT HAVING 30 MILLION CUSTOMERS.

1 SAME THING ON SLIDE 40. AGAIN, THEY TALK ABOUT, "VERIZON  
2 COMPANIES ARE THE LARGEST PROVIDERS OF WIRELINE AND  
3 WIRELESS" -- NOTICE THAT "LINE" IS USED FOR WIRELINE AND  
4 WIRELESS MEANS NO LINE -- "COMMUNICATION IN THE UNITED STATES,  
5 WITH 132.1 MILLION ACCESS LINE EQUIVALENTS AND 29.4 MILLION  
6 WIRELESS CUSTOMERS."

7 SO, AGAIN, THEY ARE USING "LINE" FOR WIRELINE AND  
8 CUSTOMERS AND OTHER TERMS FOR WIRELESS.

9 ON THE NEXT FEW PAGES, I JUST PROVIDED ADDITIONAL CITES.  
10 I DON'T KNOW THAT THE COURT NEEDS TO GO THROUGH THOSE CITES.  
11 IF THE COURT WANTS TO SEARCH FOR LINES THROUGH THAT DOCUMENT,  
12 I THINK THE COURT WILL FIND THAT THE VERY EXTRINSIC EVIDENCE  
13 SUPPORTED BY PAYMENTONE SUPPORTS PAYPAL'S CONSTRUCTION THAT  
14 LINE HAD A MEANING IN 2001, AND THAT MEANING RELATED TO BEING  
15 A PHYSICAL LINE.

16 NOW, THE ONLY EVIDENCE WHATSOEVER THAT COULD POSSIBLY  
17 SUGGEST THAT THE PATENT MIGHT BE BROADER AND THAT LINE MIGHT  
18 RELATE TO SOMETHING BROADER IS SOME REALLY VAGUE CATCH-ALL  
19 LANGUAGE. AND THIS IS THE CATCH-ALL LANGUAGE THAT YOUR HONOR  
20 HAS SEEN NUMEROUS TIMES AS PRESENTED BY PAYMENTONE'S COUNSEL,  
21 AND THAT'S AT ONE POINT IN THE PATENT, THE APPLICANTS HAVE  
22 CATCH-ALL LANGUAGE WHERE THEY TALK ABOUT THE PC 24, WHICH IS  
23 THE COMPUTER THAT WOULD CONNECT UP TO THE INTERNET, AND THEN  
24 THEY TALK ABOUT TWO OTHER MODULES. AND MODULES 30 AND 32 ARE  
25 OTHER MODULES USED TO IMPLEMENT THIS SYSTEM WHERE YOU CAN

1 ACTUALLY VALIDATE THE LINE. AND THEY SAY THAT THESE ARE  
2 EXEMPLARY FORMS OF COMPUTER SYSTEMS OR MACHINES. AND THEN  
3 DOWN BELOW THEY NOTE, THOSE MACHINES MAY COMPRISE, AND THEY  
4 GIVE A LAUNDRY LIST OF POSSIBLE DIFFERENT THINGS THAT THOSE --  
5 THAT THOSE MACHINES CAN COMPRISE.

6 WELL, IT'S VERY CLEAR THAT YOU CAN'T USE A NUMBER OF  
7 THESE, YOUR NETWORK ROUTERS, NETWORK SWITCHES FOR THESE  
8 DIFFERENT ELEMENTS. I MEAN, A NETWORK ROUTER ITSELF IS  
9 SOMETHING THAT ROUTES INFORMATION IN A NETWORK. IT'S NOT THE  
10 PC ITSELF.

11 SO ALTHOUGH THERE'S A LAUNDRY LIST HERE, AND, YES, THE  
12 WORD "CELLULAR TELEPHONE" WAS HERE, THIS DOESN'T PROVIDE A  
13 CLEAR EXPLANATION THAT YOU WOULD ACTUALLY IMPLEMENT THE  
14 EMBODIMENT THAT WAS DESCRIBED IN THE LANDLINE CONTEXT AND  
15 SOMEHOW IMPLEMENT IT IN CELLULAR.

16 AND, IN FACT, IF YOUR HONOR WERE TO READ A LITTLE BIT  
17 FURTHER DOWN RIGHT AFTER THIS PASSAGE, IT EVEN TALKS ABOUT HOW  
18 THE MACHINE CAN HAVE -- LET ME SEE THE LANGUAGE HERE -- "A  
19 DISK DRIVE UNIT." AND THE MACHINE -- SAYS "MACHINE ALSO  
20 INCLUDES A DISK DRIVE UNIT, A CURSOR CONTROLLED DEVICE, E.G.,  
21 A MOUSE." PHONES DIDN'T HAVE THIS. SO THIS IS A VERY VAGUE  
22 AND AMBIGUOUS REFERENCE.

23 AND I THINK ON THAT POINT, THE ST. CLAIR CASE, WHICH IS A  
24 2001 CASE FROM THE FEDERAL CIRCUIT -- WE CITED IT AT SLIDE  
25 50 -- MAKES IT VERY CLEAR THAT YOU CAN'T USE A VAGUE CATCH-ALL

1 PHRASE SOMEWHERE IN YOUR PATENT AND TRY AND TEACH AWAY FROM  
2 THE ENTIRE TEACHINGS OF THE PATENT, INCLUDING IN THE CASE HERE  
3 WHERE THE INVENTORS THEMSELVES SAID YOU CAN'T BILL TO CELLULAR  
4 JUST LIKE YOU CAN'T BILL TO A PHONE IN A PRISON. THIS IS NOT  
5 CLEAR LANGUAGE THAT SOMEHOW EXPANDS THE PATENT.

6 AND IF YOU ACTUALLY LOOK AT THE ST. CLAIR CASE, IN THAT  
7 CASE THE COURT LIMITED THE USE OF THE WORD "STILL" AND "IMAGE"  
8 THROUGHOUT THE PATENT TO A SINGLE IMAGE OR PICTURE.

9 HERE, THEY'RE TRYING TO COMMUNICATE IN DVI -- THE ISSUE  
10 WAS WHETHER IMAGE COULD BE MOVIES OR STILL IMAGES. THERE WAS  
11 A VAGUE CATCH-ALL REFERENCE AND IT LISTED MPEG AND DVI WHICH  
12 ACTUALLY RELATES TO MOVIES, BUT THE COURT SAID, "FINALLY, WE  
13 NOTE THAT, EVEN IF THE MPEG AND DVI COMPRESSION TECHNIQUES  
14 REFERENCED IN THE SPECIFICATION ARE DESIGNED FOR MOVIE  
15 FORMATS, THESE AMBIGUOUS REFERENCES," WHICH IS WHAT WE HAVE  
16 HERE, "CANNOT OVERCOME THE EXPLICIT LIMITATION TO STILL  
17 PICTURE FORMATS ELSEWHERE IN THE SPECIFICATION."

18 AND, YOUR HONOR, I AM ALSO PREPARED TO ADDRESS THE IMPACT,  
19 IF YOU WOULD LIKE TO DISCUSS THAT, BUT OTHERWISE THAT  
20 COMPLETES MY DISCUSSION, UNLESS YOUR HONOR HAS QUESTIONS.

21 **THE COURT:** NO, I DON'T WANT TO HEAR ON IMPACT RIGHT  
22 NOW, AND I DON'T HAVE QUESTIONS.

23 I WILL TAKE A FEW REBUTTAL COMMENTS ON THIS. IN  
24 PARTICULAR, I WOULD LIKE YOU TO ADDRESS THE ISSUE THAT WAS  
25 RAISED IN SLIDE 30 REGARDING THIS WHOLE POINT THAT CELLULAR

1 COULD NOT BE BILLABLE BECAUSE IT WASN'T PART OF THE LINE, SO  
2 TO SPEAK. AND THEN WE WILL PROBABLY TAKE A SHORT BREAK TO  
3 GIVE THE COURT REPORTER A REST.

4 **MR. MC ANDREWS:** DO YOU ANTICIPATE TAKING A LUNCH  
5 BREAK, YOUR HONOR?

6 **THE COURT:** NO.

7 **MR. MC ANDREWS:** I WILL FIRST ADDRESS THE IMMEDIATE  
8 QUESTION YOU POSED, YOUR HONOR, CONCERNING SLIDE 30.

9 THERE ARE EXAMPLES OF DENIAL CODES OR DENY CODES AS WE ARE  
10 REFERRING TO THEM IN THE CONTEXT OF THE PAYMENTONE PATENTS.  
11 BUT, LIKE OTHER EMBODIMENTS OF THE INVENTION THAT ARE  
12 DISCLOSED IN THE SPECIFICATION OF THE '049, THESE ARE MERELY  
13 THAT. THEY ARE EXEMPLARY --

14 **THE COURT:** LOOK, IF I UNDERSTAND THE ARGUMENT,  
15 COUNSEL HAS ARGUED THAT AT THE TIME OF THE INVENTION, THE WORD  
16 "LINE" AS UNDERSTOOD, DIDN'T INCLUDE ANYTHING CELLULAR AND THE  
17 PATENT ITSELF SUGGESTS THAT. PERIOD. THAT LINE MEANT A  
18 PHYSICAL LINE. THAT'S WHAT EVERYBODY UNDERSTOOD IT TO MEAN.  
19 THAT'S WHAT IT MEANT.

20 **MR. MC ANDREWS:** YEAH.

21 **THE COURT:** SO IS THERE EVIDENCE IN THE -- IS THERE  
22 LANGUAGE IN THE PATENT ITSELF THAT SUGGESTS THE OPPOSITE?

23 **MR. MC ANDREWS:** I THINK SO. I THINK THE EXAMPLE WE  
24 OFFERED --

25 **THE COURT:** SO YOU DON'T WANT TO RESPOND TO HER

1 NOTION THAT EVEN WITH THE COMPUTER, YOU HAD TO PHYSICALLY, IN  
2 2001, PLUG A LINE IN.

3 I MEAN, THAT'S WHAT SHE SAYS. SHE HAS TAKEN YOUR EXAMPLE  
4 AND SAID, OKAY, IT'S THERE. WE AGREE IT'S THERE. BUT IN  
5 ORDER FOR THAT TO WORK, YOU HAD TO PLUG IN A LINE. NO ONE  
6 ANTICIPATED OR EVEN THOUGHT THAT THAT WOULD MEAN CELLULAR.

7 **MR. MC ANDREWS:** I DON'T AGREE WITH THAT. THE  
8 SPECIFICATION ITSELF SAYS, AS COUNSEL ACKNOWLEDGED, IT RECITES  
9 A CELLULAR TELEPHONE IN THOSE TWO WORDS. THE FACT THAT  
10 COUNSEL THINKS THAT THAT APPEARS IN THE CONTEXT OF A CATCH-ALL  
11 DOESN'T CHANGE THE FACT THAT MR. LYNAM AND HIS CO-INVENTORS  
12 SPECIFICALLY CONTEMPLATED ITEM 24 IS NOT JUST A GENERAL  
13 PURPOSE COMPUTER, THAT'S ONE EXEMPLARY EMBODIMENT OF THAT  
14 ELEMENT OF THE INVENTION, BUT IT ALSO NECESSARILY INCLUDED A  
15 CELLULAR TELEPHONE IN THOSE EXACT TERMS.

16 AND A CELLULAR TELEPHONE, TO TAKE IT A STEP FURTHER, IN  
17 CONNECTION WITH SUBSCRIBER LINE 96. TO COUNSEL'S POINT ABOUT  
18 MR. FLOOD'S COMMENT THAT THERE'S NO TEACHING ON HOW THIS WOULD  
19 BE IMPLEMENTED, THAT OVERLOOKS THE ISSUE. RIGHT NOW WE ARE  
20 TALKING ABOUT CLAIM CONSTRUCTION. AND THE FEDERAL CIRCUIT LAW  
21 AND DISTRICT COURT LAW IS VERY CLEAR ON THIS POINT. ALL THAT  
22 IS REQUIRED IS THE MINIMUM NECESSARY STRUCTURE TO PERFORM A  
23 RECITED FUNCTION OR SERIES OF STEPS, IF YOU ARE TALKING ABOUT  
24 A METHOD CLAIM.

25 I THINK THAT APPLIES HERE. THE ISSUE IS, DID JOE LYNAM

1 AND HIS CONTEMPORARIES, CO-INVENTORS, HIS PATENT COUNSEL, AND  
2 THOSE OF ORDINARY SKILL IN THE ART AT THE TIME, COULD THEY  
3 HAVE IMPLEMENTED A SYSTEM LIKE THIS GIVEN THE TECHNOLOGY AT  
4 THAT TIME?

5 ALL OF THESE VARIOUS DRAWINGS AND FIGURES THAT YOU SEE AND  
6 ALL OF THE ACRONYMS THAT WE HEARD FROM MR. FLOOD AND WE HEARD  
7 ABOUT IN COUNSEL'S ARGUMENT DON'T HAVE ANYTHING TO DO WITH THE  
8 INVENTION OF ANY PARTICULAR CLAIM, YOUR HONOR, IF THOSE OF  
9 SKILL IN THE ART COULD HAVE IMPLEMENTED THIS BACK AT THE TIME.

10 AND MR. FLOOD SAYS IT COULD NOT HAVE BEEN IMPLEMENTED. HE  
11 DOESN'T PROVIDE ANY, YOU KNOW, REASONED OR LENGTHY OR DETAILED  
12 ANALYSIS IN TERMS OF WHY THAT IS HIS OPINION. AND IN THAT  
13 REGARD, HIS DECLARATION IS CONCLUSORY.

14 I THINK IF YOUR HONOR IS INCLINED TO READ THE EXPERT  
15 REPORTS OR DECLARATIONS, I THINK YOU WILL SEE THAT IT MAY  
16 AMOUNT TO MORE OF THE SAME, WHERE IT IS A BATTLE OF THE  
17 EXPERTS. IN THIS CASE, IT IS HE SAID AND SHE SAID. MS. STERN  
18 SAID.

19 BACK TO YOUR SPECIFIC QUESTION CONCERNING THE UNBILLABLE  
20 DENY CODES WITH RESPECT TO MOBILE OR CELLULAR: TO THIS DAY,  
21 THERE ARE MOBILE CARRIERS FOR WHICH YOU WOULD GET WHAT WOULD  
22 BE AKIN TO A DENY CODE. REMEMBER, THE INVENTION IS DEFINED BY  
23 THE CLAIM, NOT BY THE EXAMPLES IN THE SPECIFICATION.

24 THIS GOES BACK NOT JUST TO THE PHILLIPS CASE, AND THEN  
25 CERTAINLY NOT TO THE SUBSEQUENT THORNER CASE THAT I TALKED

1 ABOUT. I WASN'T DRAWING A DIRECT ANALOGY WHEN I SPOKE OF THE  
2 THORNER CASE THAT I WAS INVOLVED IN. I CERTAINLY WASN'T  
3 SAYING THAT THE FACTS WERE ON ALL FOURS. I WAS STATING THE  
4 GENERAL PRINCIPLE THAT YOU CAN'T LIMIT CLAIMS BASED ON  
5 PERCEIVED LIMITATIONS OF DISCLOSURE IN THE SPECIFICATION.

6 IN THIS CASE, WE ARE NOT JUST TALKING ABOUT THAT. WE  
7 ACTUALLY HAVE AFFIRMATIVE DISCLOSURE IN THE FORM OF WHAT  
8 COUNSEL NOW ARGUES IS A CATCH-ALL PHRASE. I THINK TO ANYONE  
9 BACK IN THE 2001 TIME FRAME, HECK, IN THE 1995 TIME FRAME, I  
10 HAD A CELLULAR PHONE. IT WAS A LITTLE BIT HEAVIER THAN THE  
11 ONE I HAVE NOW, BUT PEOPLE WERE FAMILIAR WITH IT. AND  
12 CERTAINLY THE ELECTRICAL ENGINEERS AND THE SYSTEM DESIGNERS,  
13 THE PEOPLE WHO WOULD IMPLEMENT THIS TECHNOLOGY WERE FAMILIAR  
14 WITH IT BACK THEN.

15 BACK TO THE POINT. THERE ARE DENY CODES TODAY. IF  
16 VERIZON, FOR EXAMPLE, IS NOT PART OF THE NETWORK THROUGH WHICH  
17 PAYMENTONE OR ANY OF THE OTHER COMPANIES THAT ALLOW THIS TYPE  
18 OF BILLING WORK. YOU HAVE TO BE SET UP IN THE SYSTEM.

19 EVERY CELLULAR CARRIER BY DEFAULT DOES NOT ALLOW  
20 COMMERCIAL TRANSACTIONS OTHER THAN NORMAL SUBSCRIBER FEES,  
21 LINE CHARGES, OR DATA CHARGES, AS WE NOW SEE ON OUR AT&T OR  
22 VERIZON BILLS TO BE BILLED THROUGH THERE. THERE HAS TO BE A  
23 SPECIAL ARRANGE. THAT'S PRESUMED.

24 AND IN THIS SPECIFIC EXAMPLE, THE SINGULAR EXAMPLE THAT  
25 WAS OFFERED IN THE CONTEXT OF THE '049 PATENT, IT IS QUITE



1 POSSIBLE THAT THEY WERE SIMPLY REFERRING TO A CARRIER WHO WAS  
2 NOT ON NETWORK, WHO WAS NOT WITH THE PAYMENTONE-TYPE PROGRAM,  
3 IF YOU WILL.

4 I WASN'T GOING TO TAKE A CALL WHEN I WALKED UP. I WAS  
5 GOING TO USE THIS AS AN EXAMPLE. BECAUSE I THINK LIKE MANY OF  
6 US, I HAVE INTERNET CONNECTIVITY AND I ACTUALLY HAVE  
7 APPLICATIONS THAT ALLOW ME TO CONNECT TO VERIZON. I HAVE  
8 VERIZON SERVICE AND I HAVE AN APPLICATION CALLED MY VERIZON.

9 I DON'T THINK ANYONE DISPUTES THAT TODAY IN THE HERE AND  
10 NOW CELLULAR CARRIERS REFER TO THIS (INDICATING), THE NUMBER  
11 ASSOCIATED WITH THIS ACCOUNT AS A LINE. I CAN PULL IT UP AND  
12 I CAN SHOW LAST NIGHT MARK SNYCERSKI SENT ME AN E-MAIL SAYING,  
13 ARE WE REALLY DISPUTING THIS POINT? AND THREE TIMES IN HIS  
14 VERIZON BILL THAT HE PDF'D TO ME, IT SAYS LINE 1, LINE 2, THEY  
15 REFER TO IT.

16 I KNOW WE ARE TALKING ABOUT BACK THEN. THE POINT I AM  
17 MAKING IS IF WE COMMONLY REFER TO YOUR CELLULAR NUMBER AS A  
18 LINE OR AN ACCOUNT IN A BROADER SENSE AS A LINE, CERTAINLY  
19 MR. LYNAM AND HIS CO-INVENTORS WERE ALLOWED TO DO THAT BACK IN  
20 2001, LONG AFTER CELLULAR TECHNOLOGY HAD BECOME EMBEDDED IN  
21 THE MARKETPLACE.

22 AND THAT IS PARTICULARLY SO WHERE THEY EXPRESSLY CALLED IT  
23 OUT AS A CELLULAR TELEPHONE COMMUNICATING OR SUBSCRIBER LINE.  
24 THAT HAS TO BE A WIRELESS COMMUNICATION.

25 I ALSO WANT TO CLARIFY. I DIDN'T REFER TO THE '504 PATENT

1 EARLIER. MS. LUTTON IS CORRECT, I DID PUT UP THE '500 PATENT  
2 AND I THINK I SAID IT WAS THE '500 PATENT WHEN I PUT IT UP.

3 THE ONLY POINT THAT I WAS MAKING IS THAT DRAWING FROM THE  
4 SAME DISCLOSURE IN THE SPECIFICATION, AND THAT'S COMMON  
5 BETWEEN THE TWO PATENTS, THE '049 AND THE '500 WHERE YOU HAVE  
6 THAT REFERENCE TO A CELLULAR TELEPHONE IN THE SPECIFICATION,  
7 IT ALLOWS AND GIVES THE INVENTORS, THOSE OF SKILL IN THE ART,  
8 THE LATITUDE TO CLAIM THINGS SUCH AS THAT CLAIMED IN THE '500.

9 I THINK THE '500 NICELY ILLUSTRATES THE DISTINCTION. THAT  
10 IS WHERE WE WERE TALKING ABOUT CLAIM DIFFERENTIATION.

11 WHEN I WAS BRINGING UP THE OTHER CLAIMS, CLAIM 17 AND I  
12 THINK CLAIMS 21 AND 27 OF THE '049 PATENT, WHICH IS AT ISSUE  
13 RIGHT NOW, I WAS NOT JUST TALKING ABOUT CLAIM DIFFERENTIATION.  
14 I THOUGHT I MADE THAT CLEAR IN MY INTRODUCTORY REMARKS WITH  
15 THE FEDERAL CIRCUIT SLIDE.

16 THE COURT CAN LOOK NOT JUST TO DEPENDENT CLAIMS THAT  
17 DEPEND FROM OR HANG FROM DEPENDENT CLAIM 8, OR INDEPENDENT  
18 CLAIM 8 OR INDEPENDENT CLAIM 1, YOU CAN ALSO LOOK AT THE  
19 SURROUNDING CLAIMS. THAT'S THE WHOLE IDEA. IT GIVES -- IT  
20 GIVES -- IT BREATHES LIFE INTO CLAIM TERMS THAT USE AND  
21 BORROWS SIMILAR LANGUAGE.

22 MS. LUTTON ARGUED THERE WAS NO SIMILARITY OR RELATIONSHIP  
23 BETWEEN THE CLAIMS. I WOULD SAY THAT AT LEAST IN A RELATED  
24 SENSE, THE CLAIMS OF THE '500 HAVE SIMILARITIES TO THE CLAIM  
25 OF THE '049, BUT LET'S LIMIT IT JUST TO THE '049.

1           THERE ARE DEFINITELY SIMILARITIES BETWEEN THE CLAIMS, AND  
2           MORE SPECIFICALLY WITH RESPECT TO THE DISPUTED TERMS  
3           "COMMUNICATION LINE" AND "SUBSCRIBER LINE" WHEN THE VARIOUS  
4           INDEPENDENT CLAIMS USE THAT IN THE CONTEXT OF THE SAME PATENT.

5           THAT'S WHY I BROUGHT UP THE EXAMPLES OF CLAIM 17 TALKING  
6           ABOUT A TELEPHONE ACCOUNT ASSOCIATED WITH A SUBSCRIBER LINE.  
7           AND THEN THE CLAIM WHERE THE TERM "NAKED", IF YOU WILL,  
8           CLAIM 21 THAT TALKS ABOUT AN ACCOUNT ASSOCIATED WITH THE  
9           SUBSCRIBER LINE. THEN IT BOUNCES BACK IN DEPENDENT CLAIM 27  
10          WHERE WE TALK AGAIN ABOUT A TELEPHONE ACCOUNT.

11          THOSE ARE WORDS OF CONSEQUENCE. AND I THINK IT GOES TO  
12          THE HEART OF CLAIM CONSTRUCTION LAW AND THE EXERCISE THAT WE  
13          ARE ALL HERE TAKING PART OF.

14               **THE COURT:** I AM GOING TO STOP YOU UNLESS YOU WANT TO  
15          SAY ONE SENTENCE AFTER THE BOTTOM LINE.

16               **MR. MC ANDREWS:** ONE SENTENCE AFTER THE BOTTOM LINE.  
17          THERE IS NO PLACE FOR THE LIMITATIONS THAT PAYPAL ASKS YOUR  
18          HONOR TO IMPOSE AND GRAFT INTO THE COURT. AND THANK YOU.

19               **THE COURT:** ALL RIGHT.

20               **MR. MC ANDREWS:** I GUESS THAT'S TWO SENTENCES.

21               **THE COURT:** ALL RIGHT. SO WE ARE GOING TO TAKE A  
22          BREAK. YOU HAVE ABOUT AN HOUR AND 20 MINUTES LEFT. SO, YOU  
23          HAVE GOTTEN THROUGH TWO TERMS.

24               **MS. LUTTON:** THE REST OF THEM WILL GO MUCH MORE  
25          SMOOTHLY, YOUR HONOR.

1           **MR. MC ANDREWS:** THEY WILL GO MORE QUICKLY, YOUR  
2 HONOR.

3           **THE COURT:** CERTAINLY MORE QUICKLY.

4           SO, FRANKLY, IT'S ALL RIGHT. THIS IS, IN MY VIEW, KIND OF  
5 THE CRITICAL ISSUE. AND I AM SURE THAT THESE OTHER ONES ARE  
6 IMPORTANT, TOO, BUT THIS IS PRETTY FUNDAMENTAL TO THE DISPUTE  
7 BETWEEN ALL OF YOU.

8           I WOULD SUGGEST THAT YOU MEET AND CONFER, AND COME UP WITH  
9 A GENERAL TIME IN TERMS OF HOW MUCH TIME YOU WANT TO GIVE TO  
10 EACH TERM. AND LET ME HAVE THAT, PUT IT IN WRITING, SO THAT I  
11 CAN KEEP YOU ON TRACK PER YOUR WISH. OTHERWISE, YOU ARE GOING  
12 TO GET TO THE END OF YOUR TIME AND STILL HAVE MANY MORE TERMS  
13 THAT YOU WILL NOT BE ALLOWED TO THEN DISCUSS.

14           IF I HAVE QUESTIONS AND I EXTEND IT, I WON'T COUNT THAT  
15 AGAINST YOU. ALL RIGHT? BUT IF I DON'T DO THIS, THEN YOU  
16 GUYS WILL BE HERE ALL DAY AND I CAN'T AFFORD TO HAVE YOU HERE  
17 ALL DAY.

18           WE WILL TAKE A RECESS FOR 15 MINUTES.

19           (RECESS TAKEN AT 12:01 P.M. AND RESUMED AT 12:17 P.M.)

20           **THE COURT:** WE ARE BACK ON THE RECORD. DO I HAVE A  
21 SCHEDULE?

22           **MR. MC ANDREWS:** MAY I APPROACH?

23           IT IS NOT VERY ELEGANT, BUT I THINK IT DOES THE JOB, YOUR  
24 HONOR.

25           **THE COURT:** OKAY. THAT IT DOES.

1           **MR. MC ANDREWS:** ARE YOU READY, YOUR HONOR?

2           **THE COURT:** I AM READY.

3           **MR. MC ANDREWS:** THANK YOU.

4           THE NEXT DISPUTED TERM, LITTLE BIT LENGTHIER, BUT I THINK  
5           THAT'S LEGIBLE ON THE SCREEN.

6           THIS APPEARS IN THE '049 PATENT. THERE ARE ACTUALLY TWO  
7           TERMS THAT WERE SO SIMILAR THE PARTIES STIPULATED THAT WE  
8           WOULD CONSTRUE THEM TOGETHER.

9           "WHEREIN PAYMENT IS ROUTED TO FINANCIAL CARD GATEWAY IF A  
10          VALIDATION MODULE INVALIDATES THE TRANSACTION." AND THEN THE  
11          VERY SIMILAR TERM IS "SELECTIVELY ROUTE PROCESSING OF THE  
12          TRANSACTION TO A FINANCIAL INSTRUMENT GATEWAY IN THE EVENT OF  
13          A VALIDATION PROCESS NOT VALIDATING THE SUBSCRIBER LINE."

14          WHAT ARE THE PARTIES' RESPECTIVE CONSTRUCTIONS HERE?  
15          PAYMENTONE'S IS "WHEREIN PAYMENT IS DIRECTED TO FINANCIAL CARD  
16          GATEWAY IF THE VALIDATION MODULE NULLIFIES THE TRANSACTION."

17          THE LANGUAGE IS NOT VERBATIM. WE THINK IT IS VERY SIMILAR  
18          AND TRUE TO THE ORIGINAL LANGUAGE OF THE CLAIM. FOR THE  
19          SECOND PART OF IT, THE OTHER TERM THAT IS VERY SIMILAR, OUR  
20          PROPOSED CONSTRUCTION IS "SELECTIVELY DIRECTING PROCESSING OF  
21          THE TRANSACTION TO A FINANCIAL INSTRUMENT GATEWAY IN THE EVENT  
22          OF A VALIDATION PROCESS NULLIFYING THE SUBSCRIBE LINE."

23          WE THINK THE -- WE THINK THE TERM "SELECTIVELY" IS  
24          IMPORTANT. WE HAVE INCORPORATED THAT INTO OUR PROPOSED  
25          CONSTRUCTION BECAUSE IT APPEARS IN THE CLAIM LANGUAGE ITSELF.

1           TURNING TO PAYPAL'S PROPOSED CONSTRUCTION FOR THESE TERMS,  
2       "WHEREIN PAYMENT IS ROUTED TO A FINANCIAL CARD GATEWAY," AND  
3       HERE'S REALLY THE OPERATIVE TERM AND THE CRUX OF THE PARTIES'  
4       DISPUTE ON THESE ELEMENTS, JUDGE, "TO A FINANCIAL CARD GATEWAY  
5       AUTOMATICALLY WHEN A VALIDATION MODULE DETERMINES THAT THE  
6       TRANSACTION CANNOT BE CHARGED TO THE TELEPHONE BILL."

7           AND SO, TOO, WE SEE IN THE RELATED TERM THE PROPOSED  
8       CONSTRUCTION FROM PAYPAL INCLUDES THAT "AUTOMATICALLY"  
9       LIMITATION, QUOTE "WHEN A VALIDATION PROCESS DETERMINES THAT  
10      THE TRANSACTION CANNOT BE CHARGED TO THE TELEPHONE BILL OF THE  
11      SUBSCRIBER AUTOMATICALLY ROUTE PROCESSING OF THE TRANSACTION  
12      TO A FINANCIAL INSTRUMENT GATEWAY."

13          IN THIS CASE, I THINK THE ARGUMENT IS SIMPLE. I ALREADY  
14      SAID IT. THERE IS NO SUPPORT IN THE LANGUAGE OF THE CLAIM --  
15      OR THE CLAIMS IN THIS CASE OR THE SPECIFICATION TO SUPPORT A  
16      CONSTRUCTION THAT REQUIRES THAT THIS FUNCTIONALITY, THIS CLAIM  
17      FUNCTIONALITY OCCUR AUTOMATICALLY.

18          ELSEWHERE IN THE PATENT, IN THE SPECIFICATION, AND MORE  
19      IMPORTANTLY ALSO IN THE CLAIMS, WHEN THERE ARE AUTOMATED  
20      PROCESSES THEY ARE EXPLICITLY OR EXPRESSLY RECITED AS BEING  
21      SUCH. IN THIS CASE THEY ARE NOT.

22          NOW, TO STREAMLINE THE PROCESS AND CONDENSE OUR ARGUMENTS,  
23      I WANT TO PUBLISH -- THIS IS ACTUALLY A PORTION OF OUR BRIEF,  
24      BUT IT QUOTES THE RELEVANT EXCERPT OUT OF THE FILE HISTORY OF  
25      THE '049 PATENT THAT PAYPAL RELIES ON IN ARGUING THAT THERE

1 HAS BEEN A LIMITING OR A CONSTRICTION OF THE SCOPE OF CLAIM BY  
2 VIRTUE OF WHAT TOOK PLACE DURING PROSECUTION OF THE '049  
3 PATENT WITH THE EXAMINER.

4 ONE OF THE THINGS THAT THE NOTICE OF ALLOWANCE, WHICH IS  
5 THE FINAL DOCUMENT WHERE THE PATENT OFFICE GRANTS THE PATENT,  
6 AND THE EXAMINER -- THE EXAMINER FREQUENTLY OFFERS REASONS FOR  
7 ALLOWANCE OR FINAL OBJECTIONS OR IN SOME CASES AMENDMENTS, THE  
8 EXAMINER NOTED THAT THE PRIOR ART STOPS THE PROCESS AND  
9 NOTIFIES THE USER OF THE FAILURE TO VALIDATE INSTEAD OF  
10 AUTOMATICALLY GOING TO ANOTHER FORM OF PAYMENT.

11 NOW, THE ARGUMENT BY INFERENCE THAT PAYPAL IS MAKING HERE  
12 IS THAT BECAUSE THE EXAMINER POINTED OUT THAT THE PRIOR ART  
13 STOPS THE PROCESS UPON A FAILURE TO VALIDATE INSTEAD OF  
14 AUTOMATICALLY GOING ON TO ANOTHER FORUM, THAT THAT MEANS THAT  
15 NECESSARILY WHAT WE WERE CLAIMING FOR ALLOWANCE OF THE CLAIMS  
16 WAS A SYSTEM THAT AUTOMATICALLY ALLOWS THAT.

17 THAT'S NOT THE CASE AT ALL. IF YOU READ THE EXCERPTS OF  
18 THE NOTICE OF ALLOWANCE IN THE FILE HISTORY, IT'S VERY CLEAR  
19 THAT THE PRIOR ART SYSTEMS THAT THE EXAMINER WAS SPEAKING OF  
20 STOPPED THE PROCESSING OF THE TRANSACTION AND DISCONNECTED THE  
21 LINE.

22 AND I CAN ACTUALLY PULL UP THE MORE RELEVANT EXCERPT. SO  
23 THE EXAMINER SAYS:

24 "CHEN DOES NOT DESCRIBE OR EVEN SUGGEST A SYSTEM  
25 WHICH ROUTES PROCESSING OF THE TRANSACTION TO A

1 FINANCIAL CARD GATEWAY IN THE EVENT THE SUBSCRIBER  
2 LINE IS NOT VALIDATED."

3 HERE'S THE RELEVANT THINGS. WE HAVE IT IN BOLD. THAT IS  
4 OUR EMPHASIS ADDED.

5 "CHEN DISPLAYS AN ERROR AND EXITS WHEN THE RETRIEVAL CODE  
6 AND THE CUSTOMER IDENTIFICATION NUMBER ARE INVALID."

7 FOR THAT REASON ALONE, THERE IS A DISTINCTION BETWEEN THE  
8 CLAIM SYSTEM OR THE CLAIM AT ISSUE AND BEFORE THE EXAMINER AND  
9 THE PRIOR ART. CHEN DISPLAYS AN ERROR MESSAGE, IT EXITS, AND  
10 IT DISCONNECTS -- THE SYSTEM OF THE CHEN PATENT, THAT IS.

11 THE EXAMINER GOES ON.

12 "IN CHEN, IF THE RECEIVED RETRIEVAL CODE OR CUSTOMER  
13 IDENTIFICATION NUMBER IS INVALID, AN ERROR MESSAGE IS  
14 TRANSMITTED TO THE CUSTOMER TERMINAL 50 DURING STEP  
15 714. THE SUPPLIER TERMINAL 15 WILL CREATE A RECORD  
16 OF THE INVALID TRANSACTION DURING STEP 716 THAT  
17 INCLUDES BILLING VERIFICATION INFORMATION AND AN  
18 INDICATION OF THE ERROR DISPOSITION."

19 OUR EMPHASIS HERE. "THE CALL WILL THEN BE DISCONNECTED  
20 DURING STEP 718 AND THE SUPPLIER TERMINAL WILL EXIT FROM THE  
21 PROCESS." AND FINALLY, "THE ONLY METHOD OF PAYMENT  
22 CONTEMPLATED IN CHEN IS A TELEPHONE ACCOUNT." THESE ARE ALL  
23 COMMENTS BY THE EXAMINER.

24 THESE DISTINCTIONS ALONE, AND THAT IS THAT THE SYSTEMS OF  
25 THE TWO CLAIMS IN WHICH THESE TERMS -- THESE RELATED TERMS



1 APPEAR, CLAIMS 8 AND 22, ARE ENOUGH TO OVERCOME PAYPAL'S  
2 PROPOSED CONSTRUCTION HERE.

3 THE DISTINCTION IS NOT -- WAS NOT ONE DRAWN DURING  
4 PROSECUTION BETWEEN AN AUTOMATED SYSTEM AND A SYSTEM THAT  
5 WASN'T AUTOMATED. THE PRIOR ART, RATHER, STOPPED, OFFERED A  
6 WARNING OR AN ERROR CODE TO THE USER AND DISCONNECTED.

7 **THE COURT:** ALL RIGHT.

8 **MR. MC ANDREWS:** SO I THINK WE ARE PROBABLY OUT OF  
9 THE ALLOTTED TIME ON THIS UNLESS YOUR HONOR HAS QUESTIONS.

10 **THE COURT:** YOU ARE BEYOND YOUR ALLOTTED TIME.

11 **MR. MC ANDREWS:** OKAY.

12 **THE COURT:** LET ME TELL YOU, THERE'S NO NEED TO READ  
13 ME THE PROPOSED CONSTRUCTIONS. I AM LOOKING AT THEM. I  
14 WOULDN'T WASTE TIME DOING THAT.

15 **MR. MC ANDREWS:** OKAY.

16 **THE COURT:** ALL RIGHT. SO WHY, AND LET'S GET TO THE  
17 HEART OF IT, WHY SHOULD I INCLUDE "AUTOMATIC" IN THIS  
18 CONSTRUCTION?

19 **MS. LUTTON:** BECAUSE THAT'S HOW THE COMPUTER SYSTEMS  
20 WORK. IF YOU ACTUALLY LOOK AT THE LANGUAGE OF THE CLAIMS, I  
21 HAVE UP HERE ON SLIDE 54, CLAIM 8.

22 **THE CLERK:** I HAVE TO SWITCH. SORRY.

23 **MS. LUTTON:** I HAVE IT. YOU DON'T HAVE IT.

24 SORRY ABOUT THAT.

25 I WILL JUST GO BACK AT A HIGH LEVEL. RECALL THE '049

1 PATENT AGAIN. THIS IS ABOUT A VALIDATION PROCESS. AND THE  
2 CLAIMS AT ISSUE REQUIRE THAT IF THE PHONE LINE IS VALIDATED,  
3 IF IT IS NOT CELLULAR, NOT DORM ROOM, IF IT IS VALIDATED, THEN  
4 THE CHARGE WILL APPEAR ON THE PHONE BILL. IF IT IS NOT  
5 VALIDATED, THEN THE CHARGE IS SET TO A CREDIT CARD COMPANY.

6 AND SO THAT HAPPENS AUTOMATICALLY BECAUSE THIS CLAIM SAYS  
7 IF SOMETHING HAPPENS, THEN SOMETHING ELSE HAPPENS.

8 AND ACTUALLY, YOUR HONOR, THERE'S A CASE AMERICAN CALCAR  
9 THAT IS DIRECTLY ON POINT WHERE THE FEDERAL CIRCUIT ADDRESSED  
10 FACTS DIRECTLY RELEVANT TO THIS CASE.

11 IS IT UP?

12 **THE COURT:** I HAVE 54.

13 **MS. LUTTON:** GREAT.

14 SO JUST BACK TO THE CLAIM LANGUAGE ITSELF, IT TALKS ABOUT  
15 THE PAYMENT BEING ROUTED TO A FINANCIAL CARD GATEWAY. WE ARE  
16 TALKING ABOUT CREDIT CARDS HERE. IF THE VALIDATION MODULE  
17 INVALIDATES THE TRANSACTION.

18 SO, IT'S SOFTWARE, IT'S A DECISION TREE. YOU HAVE  
19 VALIDATION, YOU CHARGE THE PHONE BILL. IF NOT, YOU SEND IT  
20 ELSEWHERE. THAT'S SOMETHING THAT IS NOT OPTIONAL. SO  
21 AUTOMATIC IS MEANT TO PREVENT THE PLAINTIFFS FROM CONVEYING TO  
22 THE JURY THAT THAT'S AN OPTIONAL STEP OR THAT IT IS A STEP  
23 THAT NEEDS SOME ADDITIONAL CRITERIA TO HAPPEN.

24 AND THAT EXACT ISSUE WAS ADDRESSED IN THE AMERICAN CALCAR  
25 CASE. IT'S SLIDE 58. IN THAT CASE, THE ASSERTED CLAIM

1 REQUIRED IDENTIFYING ONE OF THE PLURALITY OF PROVIDERS IN  
2 RESPONSE TO THE VEHICLE CONDITION. AND THE DEFENDANT IN THAT  
3 CASE HAD THE VERY CONCERN THAT PAYPAL HAS IN THIS CASE, WHICH  
4 IS YOU WOULD THINK THAT IN RESPONSE TO WOULD BE ENOUGH EXCEPT  
5 THE PLAINTIFF IN THAT CASE WANTED TO ACTUALLY IMPOSE  
6 ADDITIONAL CONDITIONS. SO IT WOULDN'T HAPPEN IN RESPONSE TO  
7 THE VEHICLE CONDITION, IT WOULD HAPPEN IN RESPONSE TO SOME  
8 OTHER USER INPUTS AND OTHER INTERVENING ACTS.

9 AND THE FEDERAL CIRCUIT MADE IT VERY CLEAR THAT THAT WAS  
10 NOT PERMITTED. THE FEDERAL CIRCUIT HELD THAT IN RESPONSE TO  
11 CONNOTES THAT THE SECOND EVENT OCCUR IN REACTION TO THE FIRST  
12 EVENT.

13 THAT'S EXACTLY THE CASE HERE. THE ROUTING TO THE CREDIT  
14 CARD COMPANY HAPPENS WHEN THE TRANSACTION IS NOT VALIDATED.  
15 AND THEN THE FEDERAL CIRCUIT WENT ON TO SAY, "THE CLAIMS TERMS  
16 'IN RESPONSIBLE TO' AND 'WHEN' CREATE A CAUSE-AND-EFFECT  
17 RELATIONSHIP." AND THE FEDERAL CIRCUIT HELD THAT THAT MEANS  
18 THERE CAN BE NO INTERVENING ACT, THAT ACTUALLY IS AN AUTOMATIC  
19 RESPONSE.

20 AND SO THAT IS THE EXACT CASE WE HAVE BEFORE US TODAY  
21 WHERE THE CLAIM TERM ITSELF, THE CLAIM LANGUAGE DICTATES THAT  
22 IF THE -- IF THE -- I WILL GO BACK TO THE ACTUAL CLAIM ITSELF,  
23 TALKS ABOUT ROUTING THE TRANSACTION TO A FINANCIAL INSTRUMENT  
24 GATEWAY IN THE EVENT OF A VALIDATION PROCESS NOT VALIDATING  
25 THE SUBSCRIBER LINE. SO IT'S A CAUSAL RELATIONSHIP THAT IS

1 BEING RECITED THERE.

2 AND THE EXAMINER HIMSELF RECOGNIZED THIS IN THE NOTICE OF  
3 ALLOWANCE. COUNSEL FOR PAYMENTONE ACTUALLY WAS CITING TO THE  
4 PROSECUTION HISTORY THAT OCCURRED BEFORE THE RELEVANT EVENTS.  
5 HE WAS CITING TO THE DECEMBER 2004 FILE HISTORY SUBSEQUENT TO  
6 THAT BACK AND FORTH BETWEEN THE APPLICANT AND THE PATENT  
7 OFFICE.

8 THE PATENT OFFICE HAD AN INTERVIEW WITH THE APPLICANT AND  
9 THEN THE PATENT OFFICE ITSELF IN THE NOTICE OF ALLOWANCE --  
10 AND HERE I AM ON SLIDE 60 -- THE PATENT OFFICE ITSELF AMENDED  
11 THE CLAIMS TO INCLUDE THE VERY LIMITATIONS WE ARE TALKING  
12 ABOUT. SO THOSE WERE ADDED IN ORDER FOR THE PATENT TO BE  
13 ALLOWED.

14 AND THEN THE NOTICE OF ALLOWANCE SPECIFICALLY SAID:

15 "THE SPECIFIC ALLOWABLE FEATURE, WHICH DISTINGUISHES  
16 THE PRESENT INVENTION OVER THE PRIOR ART IS THAT  
17 DURING THE PROCESS OF AUTHORIZING A PAYMENT UTILIZING  
18 THE TELEPHONE ACCOUNT," SO, AGAIN, THE EXAMINER KNEW  
19 IT WAS A TELEPHONE ACCOUNT, "IF THE SUBSCRIBER LINE  
20 CANNOT BE VALIDATED OR VERIFIED," WHICH IS WHAT I  
21 MENTIONED, "THE SYSTEM WOULD SELECTIVELY ROUTE  
22 PROCESSING OF THE TRANSACTION TO THE FINANCIAL CARD  
23 GATEWAY. THE PRIOR ART STOPS THE PROCESS AND  
24 NOTIFIES THE USER OF THE FAILURE TO INVALIDATE --  
25 FAILURE TO VALIDATE INSTEAD OF AUTOMATICALLY GOING TO

1 ANOTHER FORM OF PAYMENT."

2 SO THE EXAMINER HIMSELF INCLUDED THESE ADDITIONAL  
3 LIMITATIONS AND SAID THIS IS WHY THESE ADDITIONAL LIMITATIONS  
4 MAKE THIS PATENT ALLOWABLE.

5 **THE COURT:** OKAY. I WILL TAKE A BRIEF RESPONSE ONLY  
6 WITH RESPECT TO SLIDE 60, AND THAT WON'T COUNT AGAINST YOU.

7 **MR. MC ANDREWS:** I AM SORRY, IS THIS SLIDE 60?

8 **MS. LUTTON:** I CAN PUT SLIDE 60 UP.

9 (PAUSE IN THE PROCEEDINGS.)

10 YES, THAT IS 60.

11 **MR. MC ANDREWS:** OH. UM. I ADDRESSED THE ISSUE  
12 EARLIER, BUT PUT MORE DIRECTLY HERE, HAD THE SOLE DISTINCTION  
13 AND THE REASON FOR ALLOWANCE OVER THE PRIOR ART BEFORE THE  
14 EXAMINER BEEN THAT OUR CLAIM SYSTEM, THAT IS THE PAYMENTONE  
15 SYSTEM AUTOMATICALLY GOES ON, THE EXAMINER CLEARLY WOULD HAVE  
16 GOTTEN INTO A SPECIFIC DISCUSSION OF THAT.

17 THE EXCERPTS I TALKED ABOUT EARLIER DISCUSSED MANY OF THE  
18 OTHER DISTINCTIONS BETWEEN THE PRIOR ART AND OUR SYSTEM. THIS  
19 STATEMENT HERE DOES NOT RISE NEARLY TO THE LEVEL OF CLARITY  
20 THAT IS REQUIRED TO IMPOSE AN EXTRANEIOUS LIMITATION LIKE  
21 AUTOMATICALLY IN A CLAIM WHERE IT DOESN'T APPEAR BASED ON  
22 SOMETHING IN THE PROSECUTION HISTORY.

23 **THE COURT:** OKAY.

24 **MR. MC ANDREWS:** I KNOW THERE'S A GREAT BODY OF CASE  
25 LAW ON THAT. IT HAS TO BE VERY, VERY SPECIFIC.

1 DOES THAT ANSWER YOUR HONOR'S QUESTION?

2 **THE COURT:** THAT DOES.

3 OKAY. NEXT.

4 **MR. MC ANDREWS:** THE NEXT TERM IS "FINANCIAL CARD  
5 GATEWAY" AND A RELATED TERM "FINANCIAL INSTRUMENT GATEWAY,  
6 YOUR HONOR. I WILL PULL THE TERM UP FOR REFERENCE. I WILL  
7 NOT READ IT. THE PROPOSED CONSTRUCTIONS ARE NOT -- THEY ARE  
8 NOT VERY LENGTHY IN ANY EVENT.

9 THE DIFFICULTY THAT WE HAVE, THE OBJECTION THAT WE HAVE TO  
10 PAYPAL'S PROFFERED CONSTRUCTION IS THAT IT AGAIN IMPOSES A  
11 LIMITATION INTO THE CLAIM. IT GRAFTS THE REQUIREMENT THAT THE  
12 ENTRY POINT PROCESS A TRANSACTION INVOLVING A USER, A  
13 PURCHASER'S CREDIT OR DEBIT CARD, AND THEN AS TO THE SECOND  
14 PART OF IT, IT PROCESSES TRANSACTIONS INVOLVING A USER,  
15 PURCHASER'S CREDIT CARD OR DEBIT CARD, OR OTHER FINANCIAL  
16 INSTRUMENT. IN OTHER WORDS, IT IS MAKING IT SPECIFIC JUST TO  
17 THAT USER, THAT USER OR THE PURCHASER'S CREDIT CARD.

18 THE SYSTEM, AS CLAIMED, AND EVEN SOME OF THE EMBODIMENTS  
19 DISCLOSED ARE MUCH BROADER THAN THAT. THEY ARE TRYING TO  
20 PIGEONHOLE THIS WHERE THE ONLY POSSIBLE INTERPRETATION OR THE  
21 ONLY INFRINGEMENT CASE, WHEN WE GET TO THAT POINT IN THE  
22 PROCEEDINGS, IS IF THE SYSTEM DIRECTLY ROUTES INTO THE  
23 PURCHASER'S OR THE USER'S SPECIFIC CREDIT OR DEBIT CARD  
24 SYSTEM. THE CLAIM LANGUAGE DOESN'T ALLOW FOR THAT.

25 AGAIN, I AM REPEATING THE SAME ARGUMENT. I TALKED ABOUT

1 THIS RE-OCCURRING THEME EARLIER THIS MORNING THAT WE ARE  
2 SEEING LIMITATIONS GRAFTED IN THAT FIND NO SUPPORT IN THE  
3 CLAIM LANGUAGE THEMSELVES, NOT IN THE SPECIFICATION, NOR IN  
4 THE FILE HISTORY.

5 IN THIS CASE, IF THE INVENTORS INTENDED TO HAVE A  
6 TRANSACTION ROUTED SPECIFICALLY TO ONE OF THESE DEFINED  
7 GATEWAYS, THEY WOULD HAVE SAID SO. THEY WOULD HAVE USED  
8 SPECIFIC LANGUAGE AS THEY HAVE DONE ELSEWHERE IN THE PATENT  
9 AND THE SPECIFICATION.

10 IT'S TOO NARROW OF AN INTERPRETATION. IT IS  
11 UNDERSTANDABLE GIVEN THE PARTIES' COMPETING POSITIONS ON THE  
12 POINT, BUT IT OUGHT NOT BE READ INTO THE CLAIM TERM, YOUR  
13 HONOR.

14 **THE COURT:** MS. LUTTON?

15 **MS. LUTTON:** YOUR HONOR, THE APPLICANT'S DID USE  
16 SPECIFIC LANGUAGE. THEY USED THE TERM "FINANCIAL CARD  
17 GATEWAY" WHICH IS A TERM OF ART. THAT TERM OF ART, WE ARE NOT  
18 SUGGESTING MEANS ANY PARTICULAR FINANCIAL CARD.

19 FOR EXAMPLE, I AM ON SLIDE -- CAN WE MOVE TO OURS?

20 WE CITE IN OUR BRIEFS A -- THE MASTERCARD PAYMENT GATEWAY  
21 DEFINITION WHICH IS JUST ONE OF A NUMBER OF DEFINITIONS FOR  
22 WHAT IT MEANS TO BE A FINANCIAL CARD GATEWAY. THAT DEFINITION  
23 IS A GATEWAY HOSTED BY MASTERCARD --

24 **THE COURT:** WHAT SLIDE NUMBER IS THIS?

25 **MS. LUTTON:** SLIDE 70.

1           **THE COURT:**   THANK YOU.

2           **MS. LUTTON:**   IT IS "A GATEWAY HOSTED BY MASTERCARD  
3           AND USED FOR ROUTING AND SETTLING THE COMMERCIAL E-PAYMENTS  
4           BETWEEN BUYERS AND SUPPLIERS."

5           WE ARE NOT SUGGESTING THAT THE APPLICANTS LIMITED  
6           THEMSELVES TO A MASTERCARD FINANCIAL GATEWAY, BUT THEY DID  
7           LIMIT THEMSELVES TO A FINANCIAL GATEWAY RELATED TO SOME  
8           PAYMENT SYSTEM.   THEY USED A PARTICULAR TERM IN THE ART.

9           AND IF YOU ACTUALLY LOOK AT THE PATENT ITSELF, THERE ARE  
10          VERY FEW REFERENCES TO THIS TERM.   THERE IS AT COLUMN 4,  
11          LINES 57 TO 58, A REFERENCE TO CREDIT CARD GATEWAY THAT NOTES  
12          "THE CREDIT CARD GATEWAY 42 MAY THEN EITHER ACCEPT OR REJECT A  
13          TRANSACTION."   AGAIN, SUPPORTING THE SAME CONSTRUCTION THAT  
14          MASTERCARD PROVIDES.

15          AND AT COLUMN 6, LINES 39 THROUGH 41, THE PATENT SAYS,  
16          "THE RECORD IS COMMUNICATED TO A CREDIT CARD GATEWAY FOR  
17          PROCESSING IN A CONVENTIONAL FASHION."

18          SO THIS IS A CASE WHERE THE APPLICANT USED A SPECIFIC TERM  
19          IN THE ART "FINANCIAL CARD GATEWAY", AND JUST TO BRING IT UP A  
20          LEVEL AGAIN, WE ARE IN THE '049 PATENT.   IF THE PHONE LINE IS  
21          VALIDATED, THEN THE CHARGE IS PUT ON THE BILL.   IF THE PHONE  
22          LINE IS -- PHONE BILL.   IF THE PHONE LINE IS NOT VALIDATED,  
23          THEN THE CHARGE IS SENT TO A FINANCIAL CARD GATEWAY.

24          THAT DOESN'T MEAN ANY ACCESS POINT THAT CAN EVENTUALLY  
25          LEAD TO A CREDIT CARD COMPANY.   IT MEANS AN ENTRY POINT INTO



1 THE CREDIT CARD COMPANY SO THE CHARGE CAN BE BILLED TO THE  
2 CREDIT CARD.

3 SO THE CONCERN WITH PAYMENTONE'S CONSTRUCTION IS IT IS  
4 OVERLY BROAD. IT CAN BE ANY ACCESS POINT THAT STEPS DOWN THE  
5 ROAD AFTER MANY INTERVENING ACTS COULD RESULT IN PAYMENT,  
6 WHICH IS NOT AT ALL WHAT THE PATENT WAS ENVISIONING.

7 **THE COURT:** OKAY.

8 WITH RESPECT TO THE NEXT -- HOLD ON -- TO THE NEXT TERM, I  
9 UNDERSTAND THAT YOU DON'T BELIEVE CONSTRUCTION IS REQUIRED.

10 **MR. MC ANDREWS:** YES, THAT'S RIGHT.

11 **THE COURT:** SO I AM GOING TO HAVE THE OTHER SIDE  
12 START. THAT WAY YOU CAN RESPOND.

13 MS. BROOKS.

14 **MS. BROOKS:** THANK YOU. IF WE COULD GO BACK TO OUR  
15 SLIDES THEN.

16 SO YOUR HONOR, WE ARE NOW TURNING TO BOTH THE '500 AND THE  
17 '504 PATENTS. AND JUST TO REORIENT THE COURT, THESE PATENTS  
18 WERE FILED RESPECTIVELY IN AUGUST OF 2007 AND IN APRIL OF  
19 2006. WHILE THEY ARE BOTH REFERRED TO AS METHOD AND APPARATUS  
20 TO VALIDATE A SUBSCRIBER LINE, THEY ACTUALLY CLAIM TWO  
21 DIFFERENT THINGS.

22 THE '500 PATENT IS TALKING ABOUT ESSENTIALLY HOW THINGS  
23 ARE BUILT. THERE IS AN INTERNET TRANSACTION BETWEEN A USER  
24 AND AN INTERNET VENDOR. THAT TRANSACTION, THE FIRST ONE,  
25 ACCORDING TO THE CLAIM, IS CHARGED TO A TELEPHONE.

1           THEN THERE IS A SECOND INTERNET TRANSACTION THAT TAKES  
2           PLACE, AND IN THAT CASE, THAT TRANSACTION, THE CHARGE TO THE  
3           TELEPHONE IS DECLINED. AS A RESULT OF THAT, WHAT THE CLAIM  
4           THEN SAYS --

5           **THE COURT:** HOLD ON. SLOW DOWN.

6           **MS. BROOKS:** YES, YOUR HONOR.

7           **THE COURT:** WHAT PAGE NUMBER IS THIS?

8           **MS. BROOKS:** I'M SORRY, YOUR HONOR, I AM ON SLIDE 75.

9           **THE COURT:** OKAY. GO AHEAD.

10          **MS. BROOKS:** SO THIS IS ESSENTIALLY A GRAPHIC  
11          PORTRAYING WHAT THE CLAIMS TALK ABOUT.

12          SO WE HAVE THE FIRST INTERNET TRANSACTION GOING THROUGH  
13          BETWEEN THE USER AND THE VENDOR OVER THE INTERNET. IT IS  
14          CHARGED TO A TELEPHONE.

15          THEN A SECOND INTERNET TRANSACTION TAKES PLACE, AND  
16          ACCORDING TO THE CLAIM, THAT TRANSACTION, THE CHARGE TO THE  
17          TELEPHONE IS DECLINED. WHAT THEN HAPPENS, ACCORDING TO THE  
18          CLAIM, IS THAT THE SYSTEM PRESENTS AN ALTERNATIVE OPTION TO  
19          PAY, BE IT, FOR EXAMPLE, A CREDIT CARD, A DEBIT CARD, ET  
20          CETERA. SO THAT'S THE CLAIM ESSENTIALLY THE '500 PATENT.

21          THE '504 PATENT, WHICH WAS FILED IN 2006, AGAIN, IT'S  
22          CALLED A METHOD, AN APPARATUS TO VALIDATE A SUBSCRIBER LINE.  
23          I AM NOW ON SLIDE 77. BUT IT IS ACTUALLY, THE CLAIMS ACTUALLY  
24          COVER SOMETHING DIFFERENT, WHICH THEN THE '500 CLAIMS, WHICH  
25          IS IT'S DIRECTED TO, FIRST OF ALL, OBTAINING PHONE NUMBER

1 DATA. THAT IS EITHER PROVIDED BY THE USER OR IS AUTOMATICALLY  
2 DETECTED BY THE SYSTEM.

3 AND SEPARATE FROM THAT IS USER IDENTIFICATION DATA, WHICH  
4 IS DIFFERENT THAN THE PHONE NUMBER DATA. FOR EXAMPLE, IF YOU  
5 ENTERED -- USED YOUR DEBIT CARD, FOR EXAMPLE, AT A GAS  
6 STATION, YOU MIGHT BE ASKED FOR YOUR ZIP CODE. THAT IS THE  
7 TYPE OF ADDITIONAL USER IDENTIFICATION DATA THAT THE CLAIM IS  
8 TALKING ABOUT.

9 THEN WHAT THE CLAIMS GO ON TO TALK ABOUT IS USING THE  
10 PHONE NUMBER DATA AND THE USER IDENTIFICATION DATA TO OBTAIN  
11 SUBSCRIBER DATA FROM A FIRST DATABASE AND SECOND DATABASE.  
12 THAT'S WHAT IS LABELED NUMBER 3 AND 4 ON THIS SLIDE.

13 THEN WHAT THE CLAIM TALKS ABOUT IS COMPARING THOSE TWO.  
14 IF THEY MATCH UP, THEN YOU HAVE GOT VALIDATION OF THE  
15 PARTICULAR NUMBER.

16 I WILL SKIP OVER THIS SLIDE AND GO STRAIGHT TO THE  
17 DISPUTED TERMS.

18 THE FIRST IS WHAT DOES IT MEAN FOR AN EVENT TO BE  
19 INDICATIVE OF AN OPTION TO CHARGE? AND THIS IS WHAT  
20 PLAINTIFFS HAD SAID DOES NOT NEED TO BE CONSTRUED BECAUSE ITS  
21 MEANING IS CLEAR.

22 AND SPECIFICALLY AT PAGE 12 OF THEIR BRIEF, I AM ON SLIDE  
23 80, AT PAGE 12 OF THEIR BRIEF, THE PLAINTIFF DESCRIBES IT AS  
24 FOLLOWS. THEY SAY:

25 "HERE, THERE IS NO MEANINGFUL DISPUTE ABOUT THE

1 PROPER CONSTRUCTION AND IT'S NOT NECESSARY TO EXPLAIN  
2 WHAT THE PATENT COVERS BECAUSE THE CLAIM SPEAKS FOR  
3 ITSELF. AS A PRACTICAL MATTER, THIS CLAIM TERM  
4 DESCRIBES WHAT HAPPENS IN THE PAYMENT SYSTEM WHEN A  
5 PAYMENT BY A TELEPHONE NUMBER IS DECLINED."

6 AND NOW HERE'S WHAT THE PLAINTIFF SAY IS SO CLEAR. THEY  
7 SAY:

8 "IN THAT SCENARIO, THE SYSTEM AUTOMATICALLY DETECTS  
9 AN EVENT INDICATIVE OF AN OPTION TO CHARGE A  
10 TRANSACTION TO THE USER USING AN ALTERNATIVE PAYMENT  
11 METHOD, SUCH AS A CREDIT CARD."

12 WE WOULD RESPECTFULLY SUBMIT, YOUR HONOR, THAT THAT'S  
13 ABOUT AS CLEAR AS MUD AND WOULD BE EXTREMELY UNHELPFUL TO A  
14 JURY.

15 IF WE LOOK AT SLIDE 83, THIS IS JUST ONE OF MANY, MANY  
16 CASES THAT SAY THAT WHAT THE COURT NEEDS TO DO IN CONSTRUING  
17 TERMS IS TO ENSURE THAT THE JURY FULLY UNDERSTANDS THE COURT'S  
18 CLAIM CONSTRUCTION RULINGS AND WHAT THE PATENTEE COVERED BY  
19 THE CLAIMS.

20 HERE, IF THE JURY IS GOING TO BE ASKED WHETHER OR NOT OUR  
21 ACCUSED PRODUCTS HAVE AN EVENT INDICATIVE OF AN OPTION TO  
22 CHARGE, I THINK THE JURY WILL SPEND HOURS TRYING TO FIGURE OUT  
23 WHAT THAT MEANS. IT DOESN'T HAVE -- IT'S NOT A COMMONPLACE  
24 PHRASE. IT HAS NO SELF-EVIDENT MEANING, THEREFORE,  
25 CONSTRUCTION IS NECESSARY IN ORDER TO DETERMINE THE CLAIM

1 SCOPE.

2 UNFORTUNATELY, THEN WHAT DO WE DO, THE CLAIM IS NOT  
3 TERRIBLY HELPFUL. SO OBVIOUSLY WE ARE TAUGHT BY PHILLIPS  
4 LET'S TURN TO THE SPECIFICATION, THE INTRINSIC EVIDENCE.

5 UNFORTUNATELY IT IS QUITE SCARCE. THERE IS ONLY ONE PLACE  
6 IN THE SPECIFICATION WHERE THIS LANGUAGE IS ACTUALLY USED OR  
7 LANGUAGE SIMILAR TO IT. I AM NOW ON SLIDE 85, YOUR HONOR.

8 SPECIFICALLY, IF WE LOOK AT COLUMN 11, LINES 33 GOING OVER  
9 TO COLUMN 12, LINE 28, IT TALKS ABOUT THIS EVENT HAPPENING.  
10 SO, IN THE EVENT THAT THE SUBSCRIBER LINE FAILING THE CHECKS  
11 CARRIED OUT ON IT, IN OTHER WORDS, THE CHECK HAPPENS AND IT IS  
12 DECLINED, THE SYSTEM PROVIDES OPTIONAL USE OF A CREDIT CARD.

13 THAT'S EXACTLY WHAT OUR PROPOSED CONSTRUCTION IS SAYING.  
14 THE SYSTEM THEN PROVIDES THE USER WITH AN OPTION FOR AN  
15 ALTERNATIVE PAYMENT. IN THIS EXAMPLE, IT'S A CREDIT CARD. IT  
16 CAN BE AN OPTION TO USE A DEBIT CARD. IT CAN BE VARIOUS OTHER  
17 OPTIONS, BUT THE USER, ACCORDING TO THE LANGUAGE OF THE CLAIM,  
18 HAS TO BE PRESENTED WITH THAT OPTION IN ORDER FOR THE USER TO  
19 BE ABLE TO CHOOSE THE OPTION. AND THAT'S WHY WE HAVE ASKED  
20 FOR THE CONSTRUCTION THAT WE HAVE.

21 PLAINTIFFS HAVE ALSO OFFERED THAT IF THE COURT DOES  
22 BELIEVE CONSTRUCTION IS NECESSARY, AND I AM NOW ON SLIDE 86,  
23 THAT THE COURT SIMPLY SUBSTITUTE THE TERM "INDICATIVE OF" FOR  
24 THE TERM "RELATING TO". FRANKLY, WE SUBMIT THAT THAT MAKES IT  
25 EVEN MORE VAGUE AS TO WHAT IT IS TALKING ABOUT.

1           WHAT IS THE EVENT RELATING TO THE OPTION? IT PROVIDES NO  
2           CLARITY AT ALL AND IT IS NOT BASED ANYWHERE IN THE  
3           SPECIFICATION OR THE PROSECUTION HISTORY.

4           UNLESS THE COURT HAS ANY OTHER QUESTIONS, I WOULD SUBMIT.

5           **THE COURT:** MS. BROOKS, NEXT TIME YOU CAN TAKE A  
6           BREATH. I WON'T -- OKAY? IT WILL HELP THE COURT REPORTER IF  
7           YOU BREATHE.

8           **MS. BROOKS:** I WILL, YOUR HONOR. THANK YOU.

9           **THE COURT:** SO A RESPONSE?

10          **MR. MC ANDREWS:** YES, YOUR HONOR.

11          WE HAVE OFFERED AN ALTERNATIVE CONSTRUCTION ONLY IN THE  
12          EVENT THAT YOUR HONOR IS INCLINED TO CONSTRUE THE TERM.

13          MS. BROOKS REFERRED TO THE SPARSE SUPPORT THAT WE MIGHT  
14          FIND IN THE SPECIFICATION, AND I AGREE, THE SPECIFICATION DOES  
15          NOT FULLY INFORM THIS ISSUE CONCERNING OPTIONS.

16          BUT SHE POINTED TO COLUMN 11 OF THE '500 PATENT, AT 33,  
17          LINE 33 TO PAGE (SIC) 12, LINE 30, AND QUOTED THE EXCERPT  
18          QUOTE "THE SYSTEM 10 PROVIDES OPTIONAL USE OF A CREDIT CARD."

19          THE IMPORTANT POINT HERE IS IF THE IMMEDIATELY PRECEDING  
20          SENTENCE AND THIS REMARK, THIS COMMENT, THIS QUOTE IS MADE  
21          WITH RESPECT TO TABLE 2 OF THE '500 PATENT, THE IMMEDIATELY  
22          PRECEDING EXCERPT OUT OF THE PATENT READS QUOTE "THE TABLE  
23          PROVIDES AN EXEMPLARY DESCRIPTION OF THE EXPLANATION OF EACH  
24          CODE."

25          SO, AGAIN, THIS WAS AN OPPORTUNITY WHERE MR. LYNAM AND HIS

1 CO-INVENTORS COULD HAVE VERY SPECIFICALLY INCLUDED THE  
2 LIMITATION. FORGET THE SPECIFICATION FOR THE MOMENT, YOUR  
3 HONOR, THEY COULD HAVE INCLUDED RIGHT IN THE CLAIM WHERE  
4 LIMITATIONS ARE SUPPOSED TO APPEAR. WHAT THEY DID SAY ABOUT  
5 THIS EXAMPLE IN THE SPECIFICATION, THE EXAMPLE CITED TO BY MY  
6 COLLEAGUE IS EXACTLY THAT; IT IS AN EXAMPLE AND NOTHING MORE.

7 AND THE LIMITATION IS A CONSEQUENTIAL LIMITATION.

8 "AUTOMATICALLY DETECTING AN EVENT THAT PROMPTS PRESENTATION OF  
9 AN OPTION TO THE USER." PROMPTS PRESENTATION OF AN OPTION TO  
10 THE USER. THAT'S A RATHER DRAMATIC STEP IN THE PROCESS AND  
11 THERE IS NO SUPPORT FOR IT IN THE LANGUAGE OF THE CLAIM AT  
12 ALL.

13 FOR THAT REASON, WE DON'T THINK THAT CONSTRUCTION IS  
14 REQUIRED. IF YOUR HONOR IS INCLINED TO CONSTRUE THE TERM, WE  
15 HAVE OFFERED OUR PROPOSED CONSTRUCTION. AND I WON'T READ THAT  
16 BECAUSE IT IS IN THE MATERIALS.

17 ANY QUESTIONS, YOUR HONOR?

18 **THE COURT:** NO.

19 **MR. MC ANDREWS:** OKAY. CAN I VERY, VERY BRIEFLY GET  
20 BACK ON A POINT THAT I -- YOU HAD GIVEN ME REBUTTAL, BUT YOU  
21 LIMITED ME TO ONE SLIDE.

22 **THE COURT:** NOT RIGHT NOW.

23 **MR. MC ANDREWS:** OKAY.

24 **THE COURT:** WE WILL SEE HOW WE ARE DOING AT THE END.

25 **MR. MC ANDREWS:** I APPRECIATE THAT. THANK YOU.

1           **THE COURT:** ALL RIGHT. THE NEXT ONE WE HAVE THEN IS  
2 BILLING TELEPHONE NUMBER. JUST LOOK AT THIS REAL QUICK.

3                           (PAUSE IN THE PROCEEDINGS.)

4           **MR. MC ANDREWS:** ON THIS ONE --

5           **THE COURT:** HOLD ON.

6           **MR. MC ANDREWS:** I AM SORRY.

7           **THE COURT:** OKAY. MR. MC ANDREWS COME ON UP.

8           YOU WANT ME TO ADD IN THE WORDS ASSOCIATED WITH --  
9 "TELEPHONE NUMBER ASSOCIATED WITH A BILLING ACCOUNT" INSTEAD  
10 OF "BILLING TELEPHONE NUMBER", "TELEPHONE NUMBER ASSOCIATED  
11 WITH A BILLING ACCOUNT".

12           GO AHEAD.

13           **MR. MC ANDREWS:** THAT'S RIGHT. I THINK OUR PROPOSED  
14 CONSTRUCTION IS BY WAY OF CONTRAST TO PAYPAL'S. THIS IS A NEW  
15 CONSTRUCTION. YOU CAN SEE THE FOOTNOTE, THE FOOTNOTE 1. WE  
16 OBVIOUSLY HAD A CHANCE TO LOOK AT IT. WE JUST GOT THE  
17 PROPOSED CONSTRUCTION THIS PAST WEEKEND. THE TEAM AND I DID  
18 NOT HAVE AN OPPORTUNITY TO LOOK AT IT UNTIL WE STARTED  
19 PREPARING FOR THIS SPECIFIC ISSUE --

20           **THE COURT:** AM I MISSING SOMETHING? IS THERE A NEW  
21 CONSTRUCTION ON THIS?

22           **MS. BROOKS:** YOUR HONOR, THERE IS A NEW -- NOT FROM  
23 WHAT WE JUST SUBMITTED TO THE COURT, BUT FROM WHAT WE  
24 ORIGINALLY SUBMITTED TO THE COURT AFTER WE HAD AN OPPORTUNITY  
25 TO REVIEW PAYMENTONE'S BRIEFS AND IN AN ATTEMPT TO NARROW THE



1 ISSUES BETWEEN THE PARTIES; THAT THE SIGNIFICANT CHANGE IS  
2 THAT WE HAD ORIGINALLY PROPOSED A LIMITATION AGAIN OF  
3 "LANDLINE", BUT IN LIGHT OF THE CLAIM DIFFERENTIATION  
4 ARGUMENTS THAT PAYMENTONE MADE IN THEIR BRIEFS AS TO THE '500  
5 AND THE '504 PATENTS, NOT AS TO THE '049, WE MADE THE  
6 DETERMINATION THAT WE WOULD REMOVE THE DISPUTED LANDLINE  
7 REQUIREMENT AND SIMPLY -- SIMPLIFY THIS TO BE THE TELEPHONE  
8 NUMBER THAT IS BILLED.

9 **THE COURT:** OKAY. WHEN I WAS TAKING MY NOTES IT WAS  
10 OVER THE WEEKEND, SO I DID NOT HAVE THE NEW FILING. SO THEN  
11 PAYPAL'S CONSTRUCTION, IS IT IN HERE?

12 **MS. BROOKS:** YES, IT IS, YOUR HONOR. IT IS AT SLIDE  
13 89. IF WE CAN, YOUR HONOR WOULD LIKE, IF WE CAN SWITCH TO OUR  
14 SLIDES, WE CAN PUT IT ON THE SCREEN.

15 **THE COURT:** SO YOU JUST WANT "TELEPHONE NUMBER  
16 ASSOCIATED WITH A BILLING ACCOUNT".

17 **MS. BROOKS:** THAT'S PAYMENTONE, YOUR HONOR.

18 **THE COURT:** SORRY. TELEPHONE NUMBER BILLED FOR A  
19 TRANSACTION.

20 **MS. BROOKS:** CORRECT, YOUR HONOR.

21 **THE COURT:** THANK YOU.

22 MR. MC ANDREWS, YOU CAN START.

23 **MR. MC ANDREWS:** YOUR HONOR, PART OF THE JOINT  
24 SUBMISSION THAT WE INCLUDED, I ACTUALLY ADDED TO PAYPAL'S  
25 FOOTNOTE 1 AND I SAID THAT WE DON'T OBJECT TO THE INCLUSION.

1 OBVIOUSLY THIS IS A SEARCH FOR THE TRUTH. WE WANT THE CLAIMS  
2 TO BE CONSTRUED PROPERLY.

3 WE DID SAY WE WANT TO RESERVE THE RIGHT TO TAKE A LOOK AT  
4 THIS, AND WE SIMPLY DID NOT HAVE TIME TO DO IT BETWEEN THEN  
5 AND NOW.

6 YOUR HONOR, IT MAY BE OF NO CONSEQUENCE. WE MAY STIPULATE  
7 TO THIS. I JUST DON'T WANT TO DO THAT ON THE RECORD RIGHT NOW  
8 UNTIL I HAVE HAD A CHANCE TO CONFER WITH MY CLIENT AND MY TEAM  
9 ABOUT IT.

10 I THINK WHAT I WOULD PROPOSE IS GIVING US JUST A FEW DAYS  
11 TO TAKE A LOOK AT THIS, AND THEN I WILL GET IN TOUCH WITH OUR  
12 PAYPAL COLLEAGUES WITH AN ANSWER. AND IT IS POSSIBLE,  
13 ALTHOUGH I AM NOT CERTAIN, BUT IT IS POSSIBLE THAT WE WILL  
14 STIPULATE TO THE TERM.

15 **THE COURT:** OKAY. NEXT ISSUE.

16 AND JUST -- I WOULD LIKE A RESPONSE ON THIS BY FRIDAY  
17 CLOSE OF BUSINESS.

18 **MS. SZPONDOWSKI:** THE NEXT TERMS WE ARE TURNING TO  
19 THE '504 PATENT.

20 SO "DETERMINE FIRST OR SECOND REFERENCE SUBSCRIBER DATA".  
21 THE REASON I AM PULLING THIS UP IS I JUST WANT TO HIGHLIGHT  
22 WHAT IS DIFFERENT ABOUT THESE TERMS. SO PAYPAL'S PROPOSED  
23 CONSTRUCTION INCLUDES THE WORDS "STORED DATA" AND THE OTHER  
24 DIFFERENCE IS "ABOUT A SUBSCRIBER" VERSUS "ASSOCIATED WITH A  
25 CUSTOMER".

1 SO WITH RESPECT TO THE STORED DATA, I THINK IT'S HELPFUL  
2 HERE TO LOOK AT THE CLAIM LANGUAGE. SO THE CLAIM LANGUAGE IN  
3 LINE 18 IS WHERE THIS STARTS, "SEARCHING A FIRST DATABASE  
4 USING THE ANI DATA" --

5 **THE COURT:** HOLD ON. WHEN I SEE A COURT REPORTER'S  
6 HANDS GO UP LIKE THIS (PHONETIC) THAT MEANS -- AND OUT OF THE  
7 CORNER OF MY EYE I CAN SEE THEM, THEY WERE SO HIGH.

8 **MS. SZPONDOWSKI:** I APOLOGIZE.

9 **THE COURT:** I UNDERSTAND I HAVE YOU ON TIGHT -- YOU  
10 ARE DOING WELL. EVERYBODY IS DOING WELL. WE HAVE YOU ON A  
11 SCHEDULE HERE. DON'T KILL MY COURT REPORTER.

12 ALL RIGHT. GO AHEAD.

13 **MS. SZPONDOWSKI:** SO STARTING, THIS IS CLAIM 1 OF THE  
14 '504 PATENT STARTING AT LINE 18 THROUGH ABOUT LINE 21 IS WHERE  
15 THESE CLAIM TERMS ARE LOCATED. SO "SEARCHING A FIRST DATABASE  
16 USING THE ANI DATA OR THE BTN DATA TO DETERMINE FIRST  
17 REFERENCE SUBSCRIBER DATA."

18 NOW, PAYPAL WANTS TO IMPORT THE WORD "STORED" INTO THIS  
19 CONSTRUCTION TO SAY THAT THE FIRST REFERENCE SUBSCRIBER DATA  
20 AND THE SECOND REFERENCE SUBSCRIBER DATA IS STORED. THERE IS  
21 NOTHING IN THE SPECIFICATION THAT REQUIRES THAT DATA BE  
22 STORED. IN FACT, THE WORD "DETERMINE" WAS USED IN THE CLAIMS.

23 SO, WE DON'T DISPUTE THAT IT COULD BE STORED, OUR POSITION  
24 IS THAT IT DOESN'T HAVE TO BE STORED. THE PATENTEE DIDN'T USE  
25 THE WORDS LIKE RETRIEVE, OR RETURN, OR INQUIRY IN THE CLAIM,

1 WORDS THAT YOU MIGHT ASSOCIATE WITH DATA THAT IS STORED IN A  
2 DATABASE.

3 SO -- SO FOR THAT REASON WE DON'T BELIEVE THAT THE DATA --  
4 THE FIRST REFERENCE SUBSCRIBER DATA OR SECOND REFERENCE  
5 SUBSCRIBER DATA HAS TO BE STORED.

6 SECOND, PAYPAL CITES IN THEIR BRIEF TO COLUMN 7 OF THE  
7 '504 PATENT. SO PAYPAL CITES TO COLUMN 7, ROWS 34 TO 37,  
8 WHICH STARTS, "ONCE THE LIDB DATABASE OR HOST HAS BEEN  
9 INTERROGATED, IT RETURNS INDUSTRY STANDARD LIDB CODES", ET  
10 CETERA.

11 IF WE LOOK UP A FEW LINES, WE CAN SEE THAT THIS  
12 DESCRIPTION IS DESCRIBING A CERTAIN EMBODIMENT, AN EXEMPLARY  
13 EMBODIMENT. AND, IN FACT, IF WE GO BACK TO THE '504 PATENT TO  
14 CLAIM 17, WE CAN SEE THAT THAT IS THE EMBODIMENT THAT'S  
15 ACTUALLY DESCRIBED AND WHAT PAYPAL CITES IN SUPPORT FOR  
16 IMPORTING THE WORD "STORED" INTO THE CLAIM.

17 SO, AGAIN, WE DON'T DISPUTE THAT THE DATA COULD BE STORED;  
18 OUR POSITION IS THAT IT DOESN'T HAVE TO BE AND THERE'S NOTHING  
19 IN THE SPECIFICATION THAT SAYS IT HAS TO BE.

20 MOVING ON TO THE "ABOUT" AND "ASSOCIATED WITH" TERMS AS  
21 WELL AS THE "CUSTOMER" AND "SUBSCRIBER" DISPUTES. I THINK  
22 THIS JUST GOES TO CLARITY FOR THE JURY. PAYMENTONE USED THE  
23 WORDS "ASSOCIATED WITH" BECAUSE CLAIM 1 USES THE WORDS  
24 "ASSOCIATED WITH". THE WORDS "ASSOCIATED WITH" ARE USED  
25 THROUGHOUT THE PATENT. IT ALLOWS FOR CONSISTENCY.

1           IN OUR BRIEF, WE ACTUALLY CITED TWO EXAMPLES IN THE  
2           SPECIFICATION THAT SUPPORT USE OF "ASSOCIATED WITH". FOR  
3           EXAMPLE, IN COLUMN 1, LINES 44 TO 46 AND IN COLUMN 2, LINES 37  
4           TO 39. SO WE BELIEVE "ASSOCIATED WITH" IS A BETTER -- IS  
5           BETTER WORDING TO USE IN ORDER TO MAKE THE CONSTRUCTION CLEAR  
6           FOR THE JURY.

7           AND, FINALLY, WITH RESPECT TO "CUSTOMER" VERSUS  
8           "SUBSCRIBER", BOTH OF THESE TERMS ARE USED INTERCHANGEABLY IN  
9           THE PATENT. I WILL PULL UP ONE EXAMPLE HERE.

10          SO, IN COLUMN 41, LINES 26 THROUGH 40 -- HERE WE GO, YOU  
11          CAN SEE THAT "SUBSCRIBER" OR "CUSTOMER" IN LINES 28 AND 29 IS  
12          USED. THAT'S JUST ONE EXAMPLE.

13          AT PAGE 16 OF PAYMENTONE'S OPENING BRIEF, WE LIST A WHOLE  
14          BUNCH OF OTHER EXAMPLES THAT SHOW THAT "CUSTOMER" AND  
15          "SUBSCRIBER" IS USED INTERCHANGEABLY THROUGHOUT THE '504  
16          PATENT. WE SIMPLY BELIEVE THAT IS A MORE CLEAR WORD TO USE  
17          FOR THE JURY.

18          AND IT'S INTERESTING IN THAT IN PAYPAL'S CONSTRUCTION OF  
19          "SUBSCRIBER LINE", IN THE '049 PATENT, THEY SUBSTITUTE THE  
20          WORD "CUSTOMER" FOR "SUBSCRIBER" FOR THAT TERM. AND I BELIEVE  
21          MS. LUTTON SAID EARLIER TODAY THAT THEY BELIEVED THAT WOULD BE  
22          A MORE CLEAR TERM FOR THE JURY. AND SO WE AGREE WITH THAT,  
23          AND THAT'S WHY WE USED THE WORD CUSTOMER IN THOSE TERMS.

24                 **THE COURT:** THANK YOU.

25          MS. BROOKS, WHY DON'T YOU START WITH THAT LAST COMMENT

1 BECAUSE I HAD THAT EXACT THOUGHT.

2 MS. BROOKS: YES, YOUR HONOR.

3 ACTUALLY, IN REFERENCE TO THE WORD "SUBSCRIBER" VERSUS  
4 "CUSTOMER", AS FAR AS THIS CLAIM IS CONCERNED -- IF I CAN FIND  
5 MY SLIDE WHERE IT SPECIFICALLY TALKS ABOUT THAT -- IF WE LOOK  
6 AT THE SPECIFICATION IN RELATION TO THIS CLAIM VERSUS THE  
7 CLAIMS THAT MS. LUTTON WAS TALKING ABOUT IN THE '049, IT IS  
8 TALKING HERE ABOUT WHAT HAPPENS WHEN THE ANI IS COMMUNICATED  
9 TO THE API LOCATION DATA IS ALSO PROVIDED WHICH HAS BEEN FED  
10 IN BY THE USER.

11 THEN IT TALKS ABOUT, "IF, HOWEVER, THE ADDRESS SUPPLIED BY  
12 THE CUSTOMER DOES NOT MATCH", THEN WHAT HAPPENS IS, IT GOES  
13 ON, IT SAYS, "INDICATES THE LEVEL OF LIKELIHOOD THAT THE  
14 CALLER", THAT'S THE CUSTOMER, "AND THE ACCOUNT OWNER," THAT'S  
15 THE SUBSCRIBER, "ARE THE SAME PERSON".

16 SO, WHAT WE ARE TALKING ABOUT HERE IS THERE ARE  
17 CIRCUMSTANCES WHERE THE CUSTOMER MAY NOT BE THE SUBSCRIBER.  
18 THERE ARE CERTAINLY CIRCUMSTANCES WHERE THE CUSTOMER AND THE  
19 SUBSCRIBER ARE ONE IN THE SAME, BUT WHEN THEY ARE NOT, THEN  
20 YOU HAVE THIS SITUATION THAT IS DESCRIBED HERE IN THIS  
21 SPECIFICATION AT COLUMN 8, LINES 45 THROUGH 59.

22 HENCE, WHEN IN RELATION TO THIS PATENT AND THIS CLAIM, WE  
23 DO NEED TO DIFFERENTIATE BETWEEN CUSTOMER AND SUBSCRIBER  
24 BECAUSE THE SPECIFICATION DOES.

25 THE COURT: WHAT SLIDE NUMBER IS THAT?

1           **MS. BROOKS:** THAT IS SLIDE 103, YOUR HONOR.

2           AND GOING BACK NOW TO SLIDE 96, JUST VERY BRIEFLY. WE  
3           ALSO HAVE AN ISSUE OF NOT JUST "SUBSCRIBER" VERSUS "CUSTOMER",  
4           BUT OF "STORED", AND WHETHER OR NOT STORED IS REQUIRED.

5           FIRST OF ALL, THE CLAIM TERM IS "DETERMINED FIRST  
6           REFERENCE SUBSCRIBER DATA, DETERMINE SECOND REFERENCE  
7           SUBSCRIBER DATA."

8           BOTH PARTIES AGREE THAT THE WORD "DETERMINE" MEANS OBTAIN.  
9           WHERE WE DISAGREE IS WHETHER OR NOT THAT SUBSCRIBER DATA NEEDS  
10          TO BE STORED IN THE DATABASE IN ORDER TO OBTAIN IT. AND  
11          THAT'S WHERE WE SEE OUR DISAGREEMENT ON SLIDE 97.

12          HERE IS THE SITUATION, YOUR HONOR. IF, FOR EXAMPLE, I  
13          WANT TO OBTAIN MY BLACK HIGH HEELS BY SEARCHING MY CLOSET, IF  
14          THEY ARE NOT STORED IN MY CLOSET, I AM NOT GOING TO BE ABLE TO  
15          OBTAIN THEM.

16          AND SO, IT'S -- WHAT PAYMENTONE IS ARGUING RENDERS THE  
17          CLAIM NONSENSICAL. THEY AGREE THAT THE SEARCH OF THE DATABASE  
18          IS IN ORDER TO OBTAIN THE SUBSCRIBER INFORMATION AND YET THEY  
19          DON'T AGREE THAT THAT INFORMATION NEEDS TO BE STORED IN THE  
20          DATABASE.

21          CASE LAW HAS ALREADY DEALT WITH THIS ISSUE ON SLIDE 100.  
22          WE CITE THE COMCAST CASE. IT SPECIFICALLY TALKS ABOUT HOW LAY  
23          JURY MEMBERS WOULD UNDERSTAND THAT A DATABASE IS STORED IN  
24          SOME FASHION. IF WE GO TO THE DICTIONARY TERM, THE SAME  
25          THING. DATABASE IS DEFINED AS A COLLECTION OF DATA STORED

1 ELECTRONICALLY.

2 PAYMENTONE, FOR THEIR IDEA THAT IT DOESN'T NEED TO BE  
3 STORED, CITES NO INTRINSIC EVIDENCE AND SIMPLY ARGUES IN THEIR  
4 BRIEF THAT A PERSON OF ORDINARY SKILL IN THE ART WOULD  
5 RECOGNIZE ONLY THAT A DATABASE MUST BE SEARCHED IN ORDER TO  
6 OBTAIN THE DATA ASSOCIATED WITH THE CUSTOMER, NOT THAT THE  
7 DATABASE ITSELF -- THE DATA ITSELF MUST BE STORED IN THAT  
8 DATABASE. THAT RENDERS THE CLAIM COMPLETELY NONSENSICAL. I  
9 CAN'T OBTAIN DATA FROM A DATABASE UNLESS THAT DATA IS STORED  
10 THERE.

11 THE BECTON, DICKINSON CASE, AND COUNSEL REPRESENTED  
12 BECTON, DICKINSON AND WE REPRESENTED TYCO. AND IN THAT  
13 SITUATION, THE COURT HAD RENDER THE CLAIMS -- THE COURT'S  
14 CONSTRUCTION HAD RENDERED THE CLAIM NONSENSICAL BY MAKING THE  
15 SPRING IN THE SAFETY GUARD THE SAME AS THE HINGE, THEREFORE,  
16 THE SPRING WOULD HAVE TO CONNECT TO ITSELF, AND ITSELF WOULD  
17 HAVE TO BE THE SPRING.

18 AND THE FEDERAL CIRCUIT SAID IT'S JUST -- IT'S NONSENSICAL  
19 UNFORTUNATELY. AND THE JURY WAS SO CONFUSED BY IT THAT THEY  
20 ENDED UP RETURNING A VERDICT FOR BECTON, DICKINSON AT THE  
21 TRIAL.

22 THE FEDERAL CIRCUIT, IN REVERSING THE CLAIMS CONSTRUCTION  
23 AND SAYING THE COURT HAD RENDERED THE CLAIM NONSENSICAL, THEN  
24 ENTERED JUDGMENT ON BEHALF OF TYCO. SO A NONSENSICAL CLAIM  
25 CONSTRUCTION CAN HAVE SIGNIFICANT RAMIFICATIONS ESPECIALLY



1 WITH A JURY. IF THEY THINK THE DATA DOESN'T HAVE TO BE STORED  
2 IN THE DATABASE, SOMEHOW YOU ARE ABLE TO OBTAIN IT FROM A  
3 DATABASE IN WHICH IT IS NOT STORED.

4 I HAVE ALREADY ADDRESSED THE "SUBSCRIBER" AND "CUSTOMER".  
5 THE LAST ISSUE IS WHETHER THE TERM SHOULD BE "ABOUT" OR  
6 "ASSOCIATED WITH". THIS IS NOT A GREAT SIGNIFICANCE. WE WERE  
7 ATTEMPTING TO CLARIFY, AGAIN FOR THE JURY, WHAT IT MEANS.  
8 "ASSOCIATED WITH" HAS CERTAIN -- IT'S CERTAIN LOOSE LANGUAGE.  
9 WHAT DOES IT MEAN TO BE ASSOCIATED WITH? WHEREAS IF THE DATA  
10 IS SPECIFICALLY ABOUT A CUSTOMER, THAT IS THE KIND OF LANGUAGE  
11 A JURY WOULD UNDERSTAND.

12 AND I DON'T THINK, REALLY, PAYMENTONE IS DISPUTING THAT  
13 IT'S TALKING ABOUT SOMETHING OTHER THAN DATA ABOUT THE  
14 CUSTOMER, BUT FOR SOME REASON THEY PREFER THIS LANGUAGE.

15 UNLESS THE COURT HAS ANY QUESTIONS, I WOULD SUBMIT.

16 **THE COURT:** NO. THANK YOU.

17 LET ME ASK THIS: IS THERE A SUGGESTION THAT THE DATA CAN  
18 BE OBTAINED FROM ANYWHERE ELSE OTHER THAN A DATABASE THAT  
19 EXISTS WITH INFORMATION?

20 **MS. SZPONDOWSKI:** I AM SORRY, IS THERE A WHAT?

21 **THE COURT:** I SAID IS THERE -- AM I MISSING  
22 SOMETHING? THAT IS, IS THERE A CONTENTION THAT SOMEHOW THE  
23 DATA CAN, IN FACT, BE OBTAINED FROM A DATABASE SOMEWHERE THAT  
24 IS NOT STORING THE DATA WHICH IT IS SEEKING TO OBTAIN?

25 **MS. SZPONDOWSKI:** I THINK THE CLAIM LANGUAGE IS

1 TELLING HERE ABOUT WHAT'S HAPPENING.

2 SO, WE ARE SEARCHING A "FIRST DATABASE USING THE ANI DATA  
3 OR THE BTN DATA". THAT'S WHERE THE SEARCHING OF THE DATABASE  
4 IS HAPPENING. IN ORDER -- I PUT THAT IN -- "TO DETERMINE  
5 FIRST REFERENCE SUBSCRIBER DATA".

6 SO THERE'S NO INDICATION NECESSARILY THAT THAT FIRST  
7 REFERENCE SUBSCRIBER DATA HAS TO COME FROM THE DATABASE.  
8 THERE COULD BE SEARCHING HAPPENING POTENTIALLY. THERE COULD  
9 BE SOMETHING ELSE HAPPENING.

10 AGAIN, WE DON'T DISPUTE THAT IT COULD BE STORED IN THE  
11 DATABASE, BUT FROM A TECHNICAL PERSPECTIVE, AND I AM NOT A  
12 TECHNICAL EXPERT, IT'S PRETTY CLEAR IN THE PATENT THAT THESE  
13 ARE EXAMPLES OF WAYS THAT THE FIRST REFERENCE SUBSCRIBER DATA  
14 CAN BE OBTAINED.

15 **THE COURT:** MS. BROOKS, COME ON BACK.

16 **MS. BROOKS:** YES, YOUR HONOR.

17 **THE COURT:** YOU CAN BOTH STAY UP THERE.

18 AGAIN, I AM TRYING -- I HAVE TO GO BACK AND READ ALL THESE  
19 PATENTS MORE CAREFULLY.

20 CLAIM NUMBER 1 HERE IS SUPPOSED TO BE TEACHING SOMETHING.  
21 IT'S NOT JUST AN EXAMPLE, IT'S TEACHING SOMETHING. SO WHAT IS  
22 IT TEACHING IF NOT THAT YOU ARE SUPPOSED TO GET THE DATA FROM  
23 SOMEWHERE TO VERIFY WHAT IS HAPPENING?

24 **MS. SZPONDOWSKI:** WELL, YOU COULD BE GETTING THE DATA  
25 ACROSS A NETWORK WHERE POTENTIALLY IT ISN'T STORED IN THE

1 DATABASE.

2 **THE COURT:** IS THAT WHAT IT WAS TEACHING? IS THAT  
3 WHAT YOU ARE SUGGESTING?

4 **MS. SZPONDOWSKI:** WELL, IT'S TEACHING THAT YOU GET  
5 YOUR FIRST REFERENCE SUBSCRIBER DATA, AND THE EXAMPLE USED ARE  
6 THE DATABASES, BUT IT'S NOT LIMITED TO THAT IN THE  
7 SPECIFICATION.

8 **MS. BROOKS:** YOUR HONOR, I SUBMIT IF WE LOOK AT THE  
9 CLAIM, THE CLAIM LIMITS IT TO THAT. IT SPECIFICALLY SAYS  
10 "SEARCHING A FIRST DATABASE USING THE ANI", WHICH STANDS FOR  
11 AUTOMATIC NUMBER IDENTIFICATION DATA, "OR THE BTN," THE -- WE  
12 JUST ARGUED THIS TERM, THE "BILLING TELEPHONE NUMBER" DATA TO  
13 DETERMINE THE FIRST -- OR OBTAIN, WE HAVE ALL AGREED, MEANS  
14 OBTAIN THE FIRST REFERENCE SUBSCRIBER DATA.

15 SO YOU ARE SEARCHING A DATABASE USING EITHER THE ANI OR  
16 THE BTN TO OBTAIN THE SUBSCRIBER DATA. YOU CAN'T OBTAIN IT IF  
17 IT'S NOT THERE. IT HAS TO BE STORED IN THAT FIRST DATABASE.

18 THEN YOU SEARCH A SECOND DATABASE USING THE IDENTIFICATION  
19 DATA TO DETERMINE THE SECOND REFERENCE SUBSCRIBER DATA. SO,  
20 AGAIN, TO OBTAIN A SECOND REFERENCE SUBSCRIBER DATA.

21 WHY? WHY DO YOU DO THAT? THE NEXT LIMITATION TELLS US.  
22 THE REASON YOU DO THAT IS NOW YOU COMPARE THE FIRST REFERENCE  
23 SUBSCRIBER DATA THAT YOU GOT FROM THE FIRST DATABASE TO THE  
24 SECOND REFERENCE SUBSCRIBER DATA THAT YOU GOT FROM THE SECOND  
25 DATABASE, AND THEREBY, NOW WE GO TO THE LAST LIMITATION,

1 VERIFY THE IDENTITY OF THE SUBSCRIBER IF THAT FIRST REFERENCE  
2 SUBSCRIBER DATA CORRESPONDS TO THE SECOND REFERENCE SUBSCRIBER  
3 DATA.

4 SO, WITHOUT THE STORAGE, THEN THIS IS ALL MEANINGLESS.  
5 YOU ARE LOOKING FOR SOMETHING THAT ISN'T THERE AND THEN  
6 COMPARING IT TO SOMETHING YOU DIDN'T FIND. AND THE WHOLE  
7 POINT OF THE CLAIM THEN WOULD BE RENDERED MEANINGLESS.

8 **MS. SZPONDOWSKI:** I DISAGREE THAT THE CLAIM LANGUAGE  
9 STATES THAT THE FIRST REFERENCE SUBSCRIBER DATA OR THE SECOND  
10 REFERENCE SUBSCRIBER DATA HAS TO COME FROM THE DATABASE  
11 BECAUSE OF THAT WORD "DETERMINE" THAT'S USED.

12 IF IT WAS SUPPOSED TO COME FROM THE DATABASE, WHY  
13 DIDN'T -- WHY DIDN'T THEY USE THE WORD LIKE RETRIEVE OR  
14 INQUIRY OR RETURN. THOSE WORDS ARE USED ELSEWHERE IN THE  
15 PATENT TO DESCRIBE CERTAIN EMBODIMENTS, BUT NOT HERE IN THE  
16 CLAIM.

17 **MS. BROOKS:** YOUR HONOR, I SUBMIT IT USES THE WORD  
18 "SEARCHING". SEARCHING THE FIRST DATABASE AND SEARCHING THE  
19 SECOND DATABASE.

20 AS I GAVE THE EXAMPLE, IF I SEARCHED TO OBTAIN MY SHOES  
21 FROM MY CLOSET, THEY ARE NOT STORED IN MY CLOSET, I AM NOT  
22 GOING TO BE ABLE TO OBTAIN THEM. THAT'S THE WHOLE POINT. IT  
23 SPECIFICALLY SAYS "SEARCHING A FIRST DATABASE, SEARCHING A  
24 SECOND DATABASE", AND THEN OBTAINING THAT DATA.

25 **MS. SZPONDOWSKI:** BUT THE SEARCHING IS SEPARATE FROM

1 THE DETERMINING.

2 THEY CAN BE UNRELATED. THE SEARCHING CAN BE UNRELATED TO  
3 THE DETERMINING. IN SOME CASES IT MAY BE RELATED, IN WHICH  
4 CASE IT MAY BE STORED IN THE DATABASE. WE DON'T DISPUTE THAT.  
5 IN OTHER CASES, IT MAY BE UNRELATED.

6 **MS. BROOKS:** I WOULD SUBMIT, YOUR HONOR, THAT IS  
7 COMPLETELY CONTRARY TO THE CLAIM LANGUAGE. IT SAYS "SEARCHING  
8 A FIRST DATABASE TO OBTAIN THE FIRST REFERENCE SUBSCRIBER  
9 DATA". "SEARCHING A SECOND DATABASE TO OBTAIN THE SECOND  
10 REFERENCE SUBSCRIBER DATA."

11 THE PARTIES AGREE THE WORD "DETERMINE" MEANS OBTAIN, AND  
12 SPECIFICALLY SAYS YOU ARE DOING THE SEARCHING IN ORDER TO  
13 OBTAIN. THEY ARE NOT DISCONNECTED. THEY ARE DIRECTLY  
14 CONNECTED BY THAT WORD "TO". THAT IS WHY YOU ARE DOING THE  
15 SEARCHING.

16 **MS. SZPONDOWSKI:** BUT, AGAIN, I DON'T THINK THE WORD  
17 "OBTAIN" NECESSARILY MEANS COMING FROM THE DATABASE. OBTAIN  
18 IS MORE LIKE DETERMINE, AND RETRIEVE, RETURN, OR QUERY ARE  
19 WORDS THAT WE WOULD USE TO INDICATE THAT SOMETHING HAS TO COME  
20 FROM A DATABASE.

21 **THE COURT:** OKAY. THAT HELPS CLARIFY THE DISPUTE.  
22 NEXT TOPIC.

23 **MS. SZPONDOWSKI:** THE NEXT TERM "FIRST OR SECOND  
24 DATABASE". PAYMENTONE AGREES NOW WITH PAYPAL THAT THIS TERM  
25 DOESN'T REQUIRE CONSTRUCTION.

1           **THE COURT:** PERFECT.

2           **MS. SZPONDOWSKI:** THEN THE FINAL TERM FOR THE '504  
3 PATENT IS THE -- BASICALLY THE LAST SECTION OF CLAIM 1. AND  
4 THE DISPUTE HERE IS ONE WORD, WHICH IS THIS WORD "SEPARATE",  
5 WHICH PAYPAL INCORPORATES IN.

6           THERE IS NO REASON TO PUT THE WORD "SEPARATE" INTO THE  
7 CLAIM CONSTRUCTION. IT'S CLEAR FROM THE CLAIM LANGUAGE THAT  
8 SEARCHING A FIRST DATABASE HAPPENS, SEARCHING A SECOND  
9 DATABASE HAPPENS, THE FIRST REFERENCE SUBSCRIBER DATA IS  
10 OBTAINED, THE SECOND REFERENCE SUBSCRIBER DATA IS OBTAINED,  
11 AND THOSE ARE COMPARED.

12           THERE IS NOTHING IN THE SPECIFICATION THAT SAYS THAT THE  
13 REFERENCE SUBSCRIBER DATA HAS TO BE DIFFERENT. BOTH COULD BE  
14 ADDRESS DATA, FOR EXAMPLE, THAT IS BEING COMPARED. IN FACT,  
15 IF THEY ARE DIFFERENT, THEN THAT WOULD RENDER THE LAST ELEMENT  
16 OF CLAIM 1. LET ME PUT IT BACK UP.

17           THE LAST ELEMENT OF CLAIM 1 HERE, WHICH IS ACTUALLY TRYING  
18 TO DETERMINE WHETHER THE FIRST REFERENCE SUBSCRIBER DATA  
19 CORRESPONDS TO THE SECOND REFERENCE SUBSCRIBER DATA. IT WOULD  
20 RENDER IT USELESS IF THEY ALWAYS HAVE TO BE SEPARATE AND  
21 DIFFERENT THEN WHY ARE WE COMPARING THEM TO DETERMINE WHETHER  
22 THEY CORRESPOND TO EACH OTHER.

23           SO, FROM PAYMENTONE'S PERSPECTIVE, WE DON'T BELIEVE THE  
24 WORD "SEPARATE" SHOULD BE INCORPORATED INTO THE CLAIM  
25 CONSTRUCTION.

1           THAT'S THE ONLY DISPUTE THAT THE PARTIES HAVE. WE HAVE  
2           AGREED TO ALL OTHER ASPECTS OF THE CONSTRUCTION. AND I THINK  
3           FROM A JURY PERSPECTIVE, THE WORD "SEPARATE" IN THERE IS JUST  
4           GOING TO BE CONFUSING. SO THAT'S REALLY ALL I HAVE ON THAT  
5           SECTION.

6           **THE COURT:** ALL RIGHT.

7           MR. MARSHALL?

8           **MR. MARSHALL:** GOOD AFTERNOON, YOUR HONOR.

9           I THINK HERE THE INQUIRY REALLY DOES START WITH THE CLAIM  
10          LANGUAGE. IN THE THIRD LIMITATION, "THE FIRST REFERENCE  
11          SUBSCRIBER DATA IS DETERMINED BY A FIRST SEARCH OF A FIRST  
12          DATABASE" AND THE --

13          **THE COURT:** WHAT SLIDE ARE YOU ON?

14          **MR. MARSHALL:** THAT IS SLIDE 112.

15          **THE COURT:** GO AHEAD.

16          **MR. MARSHALL:** IN THE SECOND -- I AM SORRY, IN THE  
17          FOURTH LIMITATION, "THE SECOND REFERENCE SUBSCRIBER DATA IS  
18          OBTAINED BY SEARCHING A SECOND DATABASE". IN THE LAST  
19          LIMITATION THESE TWO ARE COMPARED TO VERIFY THE IDENTITY OF  
20          THE SUBSCRIBER. AND, AGAIN, THE SEPARATE TERM IS THE POINT OF  
21          DISPUTE.

22          BUT, AGAIN, AS MR. MC ANDREWS POINTED OUT EARLIER, THE  
23          FOCUS HERE SHOULD BE THE PRIMACY OF THE CLAIM LANGUAGE. THE  
24          CLAIMS DICTATE THAT THERE ARE FOUR PIECES OF INFORMATION, THE  
25          TELEPHONE NUMBER DATA, THE IDENTIFICATION DATA, THE FIRST

1 REFERENCE SUBSCRIBER DATA, AND THE SECOND REFERENCE SUBSCRIBER  
2 DATA.

3 THIS IS DEPICTED HERE IN THIS GRAPHIC ON SLIDE 115.  
4 AGAIN, THERE ARE TWO SEPARATE STEPS USING THE FIRST AND SECOND  
5 PIECES OF INFORMATION TO IDENTIFY A THIRD AND FOURTH PIECE OF  
6 INFORMATION.

7 NOW, THE FEDERAL CIRCUIT HAS TOLD US BEFORE THAT THE USE  
8 OF THE TERMS "FIRST" AND "SECOND" IN A CLAIM IS A WAY TO  
9 DISTINGUISH REPEATED INSTANCES OF AN ELEMENT. SO WHAT WE ARE  
10 DEALING WITH HERE ARE TWO DIFFERENT PIECES OF INFORMATION.

11 NOW, PAYPAL DOES NOT DISPUTE THAT THE TWO PIECES OF  
12 INFORMATION COULD HAVE THE SAME VALUE, BUT THESE ARE TWO  
13 SEPARATE ITEMS. THEY ARE TWO SEPARATE CONTAINERS, IF YOU  
14 WILL, THAT MAY HAVE THE SAME VALUE.

15 PAYMENTONE WOULD SUGGEST THAT THESE ARE, IF THEY HAVE THE  
16 SAME VALUE, THAT MEANS THEY ARE THE SAME PIECE OF INFORMATION;  
17 THAT'S WHY WE WOULD LIKE TO CLARIFY FOR THE JURY THAT THESE  
18 ARE SEPARATE PIECES OF INFORMATION.

19 IF THEY WERE NOT, AS WE SHOW IN SLIDE 117, THE COMPARISON  
20 STEP WOULD BE MEANINGLESS. WHY WOULD YOU COMPARE PIECES OF  
21 INFORMATION WITH ITSELF? YOU MIGHT CERTAINLY COMPARE TWO  
22 PIECES OF INFORMATION WITH THE SAME VALUE, BUT NOT A PIECE OF  
23 INFORMATION WITH ITSELF. WE THINK "SEPARATE" CLARIFIES THAT.

24 **THE COURT:** WELL A -- YOU ARE ASKING THAT I PUT IN  
25 THE WORD "DATABASE". NO, "STORED DATA".



1           **MR. MARSHALL:** "SEPARATE".

2           **THE COURT:** I AM TALKING ABOUT ANOTHER -- AREN'T WE  
3 IN ANOTHER PORTION OF THE '504 -- A DATABASE SUGGESTS THAT  
4 THERE'S LOTS OF INFORMATION. SO WHY CAN'T YOU COMPARE  
5 INFORMATION IN ONE DATABASE?

6           **MR. MARSHALL:** WELL, I THINK THAT YOU ARE QUERYING  
7 THE DATABASE, WHETHER IT'S ONE DATABASE OR TWO DATABASES  
8 ULTIMATELY --

9           **THE COURT:** I HAVE A DATABASE THAT HAS FIVE DIFFERENT  
10 FIELDS. SO WHY COULDN'T I COMPARE INFORMATION IN THE SAME  
11 DATABASE AMONG VARIOUS FIELDS?

12           **MR. MARSHALL:** YOU ABSOLUTELY COULD. I DON'T THINK  
13 THAT BY ADDING "SEPARATE" OR BY LOOKING AT THE LANGUAGE OF  
14 THIS CLAIM, IT PRECLUDES THAT COMPARISON.

15           IT SIMPLY SAYS THAT YOU ARE COMPARING YOUR STREET ADDRESS  
16 WITH YOUR ZIP CODE. OR, FOR INSTANCE, YOU'RE COMPARING --  
17 PAYMENTONE IN THEIR BRIEFING RELIED ON AN EXAMPLE BY WHICH THE  
18 ADDRESS SUPPLIED BY THE CUSTOMER IS COMPARED WITH THE ADDRESS  
19 STORED IN A VERIFICATION DATABASE. IT IS STILL AN ADDRESS  
20 BEING COMPARED WITH AN ADDRESS, BUT THE POINT IS IS THAT THESE  
21 ARE SEPARATE PIECES OF INFORMATION THAT ARE DETERMINED AT  
22 SEPARATE TIMES IN SEPARATE STEPS.

23           **THE COURT:** OKAY. I AM NOT SO SURE THAT YOUR  
24 CONSTRUCTION MAKES IT MORE CLEAR FOR ME, BUT WE WILL SEE.

25           GO AHEAD.

1           **MS. SZPONDOWSKI:** THAT'S MY EXACT POINT, BASICALLY.  
2           I DON'T THINK ADDING THE WORD "SEPARATE" MAKES IT ANY MORE  
3           CLEAR.

4           IF PAYPAL'S POSITION IS THAT THE DATA COULD HAVE THE SAME  
5           VALUE, THEN I THINK HAVING THE WORD "SEPARATE" IN THERE -- THE  
6           WORD "SEPARATE" INSINUATES THAT THEY HAVE TO BE DIFFERENT. TO  
7           ME, AT LEAST, I DON'T SEE WHAT IS GAINED BY IMPORTING THE WORD  
8           "SEPARATE" INTO THE CLAIM CONSTRUCTION.

9           **THE COURT:** OKAY. NEXT.

10          **MS. BROOKS:** YOUR HONOR, I BELIEVE WE ARE NOW TURNING  
11          THEN TO PAYPAL'S PATENT THE '917 PATENT. AND THAT WOULD BE  
12          STARTING AT SLIDE 119.

13          AND MIGHT I INQUIRE YOUR HONOR, BECAUSE MY COPY OF THE  
14          SLIDE DECK THAT WE HANDED YOUR HONOR STOPS AT 122. HOPEFULLY  
15          YOUR HONOR'S DOES NOT AND GOES THROUGH SLIDE 134.

16          **THE COURT:** I HAVE BEYOND 122. MINE ENDS ON  
17          PAGE 136.

18          **MS. BROOKS:** THANK YOU.

19          JUST TO RECAP, YOUR HONOR, ON THE '917 PATENT, PAYPAL'S  
20          AFFIRMATIVE PATENT. IT DEALS WITH THE COMPUTERIZED PAYMENT  
21          SYSTEM FOR PURCHASING GOODS AND SERVICES ON THE INTERNET.

22          YOUR HONOR MAY RECALL FROM THE TUTORIAL A DESCRIPTION OF  
23          HOW THIS WORKED. THIS WAS ONE OF THE FOUNDATIONAL PATENTS  
24          THAT ENABLED VENDORS AND CUSTOMERS TO BE ABLE TO INTERACT AND  
25          SELL GOODS AND SERVICES OVER THE INTERNET.

1 AS THE PATENT DESCRIBES, IT WAS VERY SLOW TO BEGIN WITH,  
2 THIS TYPE OF TRANSACTION. IN THE OLD DAYS YOU GO, YOU KNEW  
3 THE GROCER, THE GROCER KNEW YOU. YOU KNEW YOU WERE GETTING  
4 WHAT THE GROCER SAID YOU WERE GETTING. THE GROCER KNEW YOU  
5 WERE PAYING YOUR BILLS. EVERYTHING WAS FINE. YOU HAD THIS  
6 FACE-TO-FACE INTERACTION.

7 THEN WHAT HAPPENS, YOU GET TO THE INTERNET. THE BUYER  
8 DOESN'T KNOW THE SELLER, VICE VERSA, PLUS YOU HAVE POTENTIALLY  
9 THESE THIRD PARTIES COMING IN AND HACKING INTO THIS  
10 BUYER/SELLER RELATIONSHIP AND OBTAINING VERY SENSITIVE  
11 INFORMATION.

12 SO WHAT THE '917 ARCHITECTURE DOES IS THAT WHEN THE  
13 PAYMENT INFORMATION GOES FROM THE BUYER TO THE SELLER, IT GOES  
14 THROUGH THIS COMPUTER NETWORK THAT HAS BOTH A PUBLIC PART TO  
15 IT AND A NONPUBLIC PART, OR A SECURE PART. AND IT'S THE  
16 SENSITIVE INFORMATION THAT GOES INTO THAT SECURE PART TO  
17 PREVENT, FOR EXAMPLE, THE THIRD PARTIES FROM GETTING AHOLD OF  
18 IT AND ALSO PREVENT THE SELLER, FOR EXAMPLE, FROM ABUSING AND  
19 TAKING THAT INFORMATION AND USING IT FOR OTHER THAN THE  
20 PARTICULAR TRANSACTION.

21 SO THE ACTUAL TRANSACTION BETWEEN THE BUYER AND THE SELLER  
22 WHERE THE CREDIT INFORMATION IS PASSED OR THE PAYMENT  
23 INFORMATION IS PASSED IS DONE IN THIS NONPUBLIC PART. THAT  
24 THEN GOES TO THE BANK, FOR EXAMPLE, WHERE IT IS CONFIRMED THAT  
25 THE BUYER HAS THE AUTHORIZATION TO MAKE THAT SORT OF A CHARGE.

1 SO THE DISPUTED TERM IS WHAT IS, WHAT DOES IT MEAN BY  
2 "SECURE PART OF THE COMPUTER SYSTEM". SO HERE WE LOOK AT  
3 SLIDE 124. THIS IS WHERE IT'S USED IN THE CLAIM.

4 SO WHAT HAPPENS IS THIS INFORMATION GOES THROUGH THE  
5 SECURE PART OF THE COMPUTER SYSTEM, COMMUNICATING TO AN AGENT  
6 OF THE SELLER VIA SECURE COMMUNICATION, ET CETERA. HERE ARE  
7 THE TERMS.

8 WE BELIEVE IT STANDS FOR ITSELF. SECURE PART OF THE  
9 COMPUTER SYSTEM IS THE SECURE PART OF THE COMPUTER SYSTEM. IT  
10 IS THE ORDINARY MEANING.

11 PAYMENTONE WOULD HAVE THE COURT CONSTRUE IT AS A PRIVATE  
12 NETWORK, SUCH AS AN ETHERNET NETWORK. I WILL EXPLAIN IN A  
13 MOMENT WHY THAT OBLITERATES THE INVENTION AND CLAIM ITSELF.

14 IF ORDINARY MEANING, IF YOUR HONOR BELIEVES A JURY  
15 WOULDN'T UNDERSTAND WHAT SECURE PART OF THE COMPUTER SYSTEM  
16 MEANS, WE WOULD PROPOSE "A PORTION OF THE COMPUTER SYSTEM WITH  
17 RESTRICTED ACCESSIBILITY VIA THE QUASI-PUBLIC NETWORK".

18 WHY DO WE MAKE THAT PROPOSAL? FIRST OF ALL, IF WE LOOK AT  
19 THE CLAIM LANGUAGE ITSELF, YOU CAN SEE WHERE IT IS DESCRIBING  
20 THE SECURE PART OF THE COMPUTER SYSTEM. THAT'S ON SLIDE 126.

21 NOW, IF WE LOOK AT THE SPECIFICATION ON SLIDE 127, IT IS  
22 DESCRIBING HOW THE PROBLEM TO BE SOLVED WAS THE DIFFICULTY TO  
23 PAY FOR GOODS OR SERVICES USING THE INTERNET, AND THAT IT WAS  
24 VERY SLOW TO TAKE OFF BECAUSE OF THIS -- PEOPLE HAVING  
25 HESITANCY TO SEND CREDIT CARD NUMBER OVER THE INTERNET BASED

1 ON SECURITY PURPOSES.

2 SO, HERE'S THE SOLUTION. ON SLIDE 128 WE SHOW THE ACTUAL  
3 STRUCTURE. AND WHAT WE HAVE IS THE INFORMATION COMING IN,  
4 YOU'VE GOT YOUR USER, THEN YOU HAVE YOUR USER/SELLER. THEY  
5 ARE COMMUNICATING VIA THE INTERNET. THEN INFORMATION GOES --  
6 THE PAYMENT SYSTEM ITSELF IS IN THE RED BOX.

7 YOU'VE GOT ABOVE-THE-LINE SYSTEM, WHICH WOULD BE THE  
8 PUBLIC SYSTEM OR ATTACHED TO THE QUASI-PUBLIC NETWORK, THE  
9 INTERNET, AND THEN YOU HAVE THE FIREWALL. BELOW THAT, YOU'VE  
10 GOT THE BLOW-THE-LINE SYSTEM WHERE THE SECURE INFORMATION  
11 RESIDES AND CANNOT BE USED BY OTHERS.

12 THIS IS A DESCRIPTION ON SLIDE 129, COLUMN 3, LINES 60  
13 THROUGH 67, WHAT THE PURPOSE IS TO THIS SECURE PART OF THE  
14 COMPUTER SYSTEM. IT PREVENTS UNAUTHORIZED ACCESS TO THE  
15 BELOW-THE-LINE SYSTEM, IT PREVENTS HACKERS ON THE INTERNET  
16 FROM ENTERING THE BELOW-THE-LINE SYSTEM.

17 BOTH PORTIONS -- AND THIS IS WHERE WE DIFFER NOW FROM  
18 PAYMENTONE -- BOTH PORTIONS, THE ABOVE THE LINE AND BELOW THE  
19 LINE ARE THE COMPUTER SYSTEM. YOU CAN'T HAVE ONE WITHOUT THE  
20 OTHER AND HAVE THIS INVENTION WORK OR HAVE THE CLAIM HAVE ANY  
21 MEANING.

22 SO OUR PROPOSED CONSTRUCTION TALKS ABOUT THE SYSTEM, THE  
23 PART OF THE COMPUTER SYSTEM THAT IS BELOW THE LINE. THE CLAIM  
24 LANGUAGE SPECIFICALLY DICTATES THAT THE WHOLE COMPUTER SYSTEM  
25 IS BOTH, SECURE AND THE NONSECURE ARCHITECTURE.

1           ON SLIDE 131, AGAIN, WE ARE SHOWING YOU WHERE IN THE CLAIM  
2       THIS TALKS ABOUT THIS SPECIFIC LANGUAGE.

3           THE SECURE PART WE TALK ABOUT ON SLIDE 132. AND THE  
4       SPECIFICATION IS NOT THE INTERNET. THAT'S THE PUBLIC PART.  
5       THAT'S ONE THAT VIRTUALLY ANYONE WOULD HAVE ACCESS TO. IT'S  
6       THE PART BELOW THE WALL.

7           NOW WE COME TO WHAT PAYMENTONE'S PROPOSED CONSTRUCTION IS.  
8       IT'S ON SLIDE 133.

9           PAYMENTONE'S PROPOSED CONSTRUCTION IS, THAT "IT IS A  
10      PRIVATE NETWORK SUCH AS, FOR EXAMPLE, THE ETHERNET". AND WE  
11      CIRCLED ON THIS SLIDE, YOUR HONOR, THAT THIS IS ALL THEY WOULD  
12      BE TALKING ABOUT THEN IS THIS COMMUNICATION THAT OCCURS  
13      BETWEEN THE ABOVE THE LINE PART OF THE COMPUTER SYSTEM AND THE  
14      BELOW THE LINE PART OF THE COMPUTER SYSTEM.

15          IF THAT'S ALL THAT IS, THE SECURE PART IS SIMPLY THAT  
16      LITTLE PIECE OF COMMUNICATION, THEN THE CLAIM, ONCE AGAIN,  
17      WOULD NOT COVER ANY INVENTION. IT WOULD HAVE NO MEANING.  
18      THERE WOULD BE NO WAY TO CONNECT WITH THE OUTSIDE OR TO CONVEY  
19      THE INFORMATION ON. IT WOULD SIMPLY BE TALKING TO EACH OTHER,  
20      THE ABOVE THE LINE VERSUS BELOW THE LINE.

21          IT WOULD READ OUT THE EMBODIMENTS IN THE SPECIFICATION.  
22      IN SLIDE 134 WE SHOW A COUPLE OF THEM. IT TALKS ABOUT, FOR  
23      EXAMPLE, HOW THE BELOW-THE-LINE COMPUTER RUNS A BELOW-THE-LINE  
24      PROGRAM AND THE ABOVE-THE-LINE PROGRAM COMMUNICATES. IF IT IS  
25      JUST THAT LITTLE PRIVATE INFORMATION SECTION BETWEEN THE TWO,

1 IT WOULDN'T BE ABLE TO RUN A PROGRAM AS REQUIRED IN THE  
2 SPECIFICATION.

3 THE SPECIFICATION ALSO REQUIRES THE STORAGE OF A FILE.  
4 AGAIN, IF IT WAS JUST WHAT PAYMENTONE ARGUES, IT WOULDN'T BE  
5 ABLE TO DO THAT EITHER.

6 PAYMENTONE'S ALTERNATIVE CONSTRUCTION ALSO VITIATES A  
7 PORTION OF THE CLAIM TERM. SO PAYMENTONE SUGGESTS THAT IF  
8 IT'S NOT JUST A PRIVATE NETWORK SUCH AS AN ETHERNET NETWORK,  
9 THEN IT'S THE COMPUTER HARDWARE AND SOFTWARE RUNNING ON A  
10 PRIVATE NETWORK. THIS VITIATES THE TERM PART OF THE COMPUTER  
11 SYSTEM. IT ELIMINATES THE REQUIREMENT THAT IT FORM PART OF  
12 THE COMPUTER SYSTEM.

13 AND WE CITE THE BALDWIN CASE ON SLIDE 135, YOUR HONOR,  
14 THAT EXPLAINS TO THE COURT WHY ONE CANNOT DO THAT WITH A CLAIM  
15 CONSTRUCTION.

16 AND UNLESS YOUR HONOR HAS ANY QUESTIONS, I WOULD SUBMIT ON  
17 THAT.

18 **THE COURT:** THANK YOU.

19 LET'S SEE. A NEW FACE.

20 **MR. YANG:** GOOD AFTERNOON, YOUR HONOR.

21 BEFORE I GET STARTED, I WOULD LIKE TO JUST LET THE COURT  
22 KNOW THAT WE HAD RESERVED TEN MINUTES FOR THIS CLAIM TERM, BUT  
23 THERE WAS ACTUALLY AN IMPORTANT REBUTTAL WHICH WE HAD  
24 PREVIOUSLY WHERE THE COURT --

25 **THE COURT:** ACTUALLY YOU RAN OVER YOUR TIME.

1 MR. MC ANDREWS RAN OVER HIS TIME WITH HIS FIRST TERM BY FIVE  
2 MINUTES.

3 GO AHEAD.

4 MR. YANG: SO I'D JUST LIKE TO LIMIT MYSELF TO MAYBE  
5 EIGHT OR NINE MINUTES, AND GIVE HIM THAT LAST MINUTE TO --

6 THE COURT: I WOULD SUGGEST YOU START MOVING.

7 MR. YANG: ALL RIGHT.

8 WHAT I WOULD LIKE TO START WITH IS FIGURE 1 OF THE PATENT  
9 BECAUSE IT REALLY SHOWS WHAT PAYPAL DID AND MORE IMPORTANTLY  
10 WHAT THEY DID NOT INVENT. FIGURE 1 WAS ALREADY SHOWN BY MY  
11 COLLEAGUE AT PAYPAL. I AM GOING TO PULL IT UP RIGHT HERE.  
12 IT'S --

13 THE COURT: I HAVE IT. GO AHEAD.

14 MR. YANG: IN FIGURE 1, YOU SEE THE ABOVE-THE-LINE  
15 SYSTEM AS WELL AS BELOW-THE-LINE SYSTEM. WE ALSO SEE THE  
16 INTERNET. AND FIGURE 1 ALSO SHOWS USERS AND BUYERS  
17 INTERACTING ON THE INTERNET.

18 WHAT IT ALSO SHOWS IS THAT THERE'S A SELLER'S AGENT, WHICH  
19 IS THIS ELEMENT 115 HERE. AND THE SELLER'S AGENT IS NOT  
20 COMMUNICATING WITH THE PAYMENT SYSTEM OVER THE INTERNET. AND  
21 THAT'S WHAT IS CRITICALLY IMPORTANT HERE, YOUR HONOR, BECAUSE  
22 THE COMMUNICATION BETWEEN THE PAYMENT SYSTEM AND THE SELLER'S  
23 AGENT HAPPENS OFF OF THE INTERNET.

24 AND I CAN, JUST TO SHOW YOU I AM NOT MAKING THIS UP, I  
25 WOULD LIKE TO DIRECT THE COURT'S ATTENTION TO COLUMN 4, FOR



1 INSTANCE, AT LINE 8 -- OR SORRY, STARTS AT LINE 6. SAYS:

2 "THE ABOVE-THE-LINE COMPUTER 50 AND THE  
3 BELOW-THE-LINE COMPUTER 52 ARE CONNECTED TOGETHER VIA  
4 A PRIVATE NETWORK." IN A PREFERRED EMBODIMENT, THE  
5 PRIVATE NETWORK IS AN ETHERNET NETWORK."

6 AND THEN IF WE LOOK TO COLUMN 10, IT FURTHER EXPLAINS  
7 THIS. COLUMN 10 AT LINE 56 SAYS:

8 "THE COMMUNICATION TO 50 TO THE SELLER'S AGENT 115 IS  
9 PERFORMED OFF OF THE INTERNET ON A SECURE  
10 COMMUNICATION CHANNELS."

11 THIS IS NOT A SEMINAL OR A FOUNDATIONAL PATENT AS PAYPAL  
12 WOULD CLAIM. IT'S REALLY LIMITED TO A TRANSACTION WHICH THE  
13 BANK CARD PROCESSOR, WHICH IS THE SELLER'S AGENT, SUCH AS VISA  
14 IS COMMUNICATING ON A PRIVATE NETWORK. AND THAT IS WHAT OUR  
15 PROPOSED CONSTRUCTION REFLECTS.

16 AND IF I CAN MAYBE DIRECT THE COURT'S ATTENTION TO CLAIM 1  
17 ITSELF. IT IS OBVIOUSLY A METHOD CLAIM HAVING SIX STEPS.

18 OKAY. I THINK OUR SCANNER IS BACK SO I AM GOING TO ZOOM  
19 IN ON CLAIM 1.

20 AND AS YOUR HONOR CAN SEE THE FIRST THREE CLAIM  
21 LIMITATIONS HERE, I WILL DISCUSS A QUASI-PUBLIC NETWORK. STEP  
22 ONE IS ON A COMPUTER SYSTEM COUPLED TO SAID QUASI-PUBLIC  
23 NETWORK. SAME GOES FOR STEP TWO. SAME GOES FOR STEP THREE.

24 ONCE YOU GET TO STEP FOUR, THOUGH, THERE'S MENTION OF A  
25 SECURE PART OF THE COMPUTER SYSTEM. THAT'S WHAT I WAS TALKING

1 ABOUT WHEN I SHOWED YOU FIGURE 1 WHERE THE COMMUNICATION  
2 BETWEEN THE SELLER'S AGENT AND THE PAYMENT SYSTEM IS HAPPENING  
3 OFF OF THE INTERNET. THAT'S THE SECURE PART IN  
4 CONTRADISTINCTION TO THE QUASI-PUBLIC NETWORK, WHICH IS THE  
5 INTERNET.

6 NOW, THAT DISTINCTION IS PARTICULARLY IMPORTANT HERE  
7 BECAUSE IF YOU LOOK AT THE HISTORY OF THE '917 PATENT BEFORE  
8 THE PATENT OFFICE, I CAN SHOW YOU THAT PAYPAL, OR REALLY THEIR  
9 PREDECESSOR -- THIS WASN'T -- THIS IS NOT AN INVENTION THAT  
10 WAS INVENTED BY PAYPAL. IT WAS ACQUIRED BY PAYPAL. AND IN  
11 1997, THE PATENT OFFICE REJECTED THESE BROADER CLAIMS.

12 SO WHAT PAYPAL'S PREDECESSOR HAD TO DO IN RESPONSE TO THAT  
13 IS THEY HAD TO AMEND THE CLAIMS. WHAT I AM SHOWING YOU HERE  
14 IS A PAGE FROM THAT AMENDMENT.

15 AND YOU WILL SEE THAT THE WORDS "COMPUTER SYSTEM ON THE  
16 QUASI-PUBLIC NETWORK" AS WELL AS THE TERM "SECURE PART" ARE  
17 UNDERLINED HERE. AND THE REASON THEY ARE UNDERLINED IS  
18 BECAUSE PAYPAL HAD TO ADD THOSE LIMITATIONS TO GET THE PATENT.  
19 SO THE PATENT OFFICE TOLD THEM THAT A BROADER CLAIM WOULDN'T  
20 BE VALID BECAUSE IT HAS ALREADY BEEN DONE.

21 IF YOU LOOK AT PAGE 5 -- PAGE 5 OF THAT SAME AMENDMENT,  
22 PAYPAL CONFIRMS THERE THAT THE -- SAYS, "UPON CONFIRMATION,  
23 THE THIRD PARTY INITIATES THE PROCESSING OF A PAYMENT FROM THE  
24 SECOND PARTY TO THE FIRST PARTY VIA OFFLINE CHANNELS."

25 AND I WON'T READ THE REMAINDER OF THIS. IT IS STYLED AS

1 EXHIBIT 1 TO DOCKET 108 IN OUR BRIEF. BUT ON PAGE 10 OF THAT  
2 DOCUMENT, PAYPAL FURTHER DISCUSSES HOW THESE AMENDMENTS NOW  
3 DIFFERENTIATE THEM FROM THE PRIOR ART.

4 AND THE CASE LAW IS PRETTY CLEAR. I THINK PAYPAL EVEN  
5 CITED IT FOR US IN THEIR BRIEF. THEY CITED THE CASE SEACHANGE  
6 VERSUS C-COR, AND SPECIFICALLY SAYS, "AN APPLICANT'S ARGUMENT  
7 MADE DURING PROSECUTION MAY LEAD TO A DISAVOWAL OF CLAIM SCOPE  
8 EVEN IF THE EXAMINER DID NOT RELY ON THE ARGUMENT."

9 AND FINALLY I WOULD LIKE TO ADDRESS THIS IDEA THAT OUR  
10 CLAIM DOESN'T MAKE -- OUR PROPOSED CONSTRUCTION DOESN'T MAKE  
11 SENSE IN THE CONTEXT OF THE CLAIM.

12 I DISAGREE WITH THAT, YOUR HONOR, BECAUSE, FOR EXAMPLE,  
13 MS. BROOKS GAVE EXAMPLES SUCH AS THE FACT THAT A PRIVATE  
14 NETWORK COULD NOT RUN A PROGRAM OR COULD NOT STORE A FILE. I  
15 THINK IT'S CLEAR TO A PERSON HAVING ORDINARY SKILL IN THE ART,  
16 YOUR HONOR, THAT THE NETWORK ITSELF IS NOT RUNNING A PROGRAM  
17 OR STORING A FILE, BUT RATHER THAT IT IS COMPUTER HARDWARE OR  
18 SOFTWARE RUNNING ON THAT PRIVATE NETWORK.

19 FOR THAT REASON WE GAVE THAT ALTERNATIVE CONSTRUCTION IN  
20 OUR BRIEF. IT'S IN OUR BRIEF. WE SAID "COMPUTER HARDWARE AND  
21 SOFTWARE RUNNING ON A PRIVATE NETWORK".

22 TO THE EXTENT THAT THE COURT IS CONCERNED THE JURY MIGHT  
23 BE CONFUSED ABOUT A PRIVATE NETWORK STORING OR RUNNING A  
24 PROGRAM, WE THINK THIS ALTERNATIVE CONSTRUCTION CURES THAT.

25 FINALLY, MS. BROOKS SUGGESTED THAT OUR ALTERNATIVE

1 CONSTRUCTION STILL DOESN'T CURE THE FACT THAT -- I GUESS SHE  
2 ALLEGES WE READ THE TERM "SAID COMPUTER SYSTEM" OUT.

3 WHAT SHE'S SAYING IS THAT WE'RE SUGGESTING THAT THIS  
4 COMPUTER HARDWARE/SOFTWARE DOES NOT NEED TO BE A PART OF THE  
5 OVERALL COMPUTER SYSTEM.

6 I THINK IT'S CLEAR, THOUGH, THAT THE COMPUTER  
7 HARDWARE/SOFTWARE THAT WE ARE PROPOSING IS PART OF THAT  
8 COMPUTER SYSTEM. AND IF NOT, THEN WE WOULD NOW ALTERNATIVELY  
9 PROPOSE "COMPUTER HARDWARE AND SOFTWARE RUNNING ON A PRIVATE  
10 NETWORK WHICH IS PART OF SAID COMPUTER SYSTEM", AND THEN THE  
11 "SUCH AS AN ETHERNET NETWORK LIMITATION."

12 YOUR HONOR, UNLESS THERE ARE QUESTIONS FROM THE COURT, I  
13 WOULD LIKE TO SAVE THE LAST TWO MINUTES FOR MY COLLEAGUE.

14 **THE COURT:** WHAT LAST TWO MINUTES?

15 HAVE A SEAT.

16 **MS. BROOKS:** MAY I HAVE A MINUTE OF REBUTTAL, YOUR  
17 HONOR?

18 **THE COURT:** ONE MINUTE.

19 **MS. BROOKS:** THANK YOU, YOUR HONOR. VERY QUICKLY.  
20 IF WE CAN SWITCH TO OUR SLIDES.

21 COUNSEL'S ARGUMENT JUST PROVED OUR POINT, YOUR HONOR. HE  
22 CITED YOUR HONOR TO COLUMN 10, LINES 56 THROUGH 60 WHERE IT  
23 TALKS ABOUT THE COMMUNICATION TO THE SELLER'S AGENT IS  
24 PERFORMED OFF THE INTERNET ON SECURE COMMUNICATION CHANNELS.

25 IF WE LOOK AT THE CLAIM, THOSE EXACT WORDS APPEAR IN THE

1 CLAIM, NOT AS THE SECURE PART OF THE SAID COMPUTER SYSTEM, BUT  
2 RIGHT BELOW IT, IT SAYS "VIA SAID SECURE COMMUNICATION  
3 CHANNELS".

4 WHAT THEIR CONSTRUCTION IS TALKING ABOUT IS THIS SECURE  
5 COMMUNICATION CHANNEL WHICH IS NOT THE SECURE PART OF THE  
6 COMPUTER SYSTEM. IT'S THE COMMUNICATION CHANNEL BETWEEN THE  
7 SECURE PART OF THE COMPUTER SYSTEM AND THE UNSECURE PART OF  
8 THE COMPUTER SYSTEM.

9 SO COUNSEL IS RIGHT, THAT LANGUAGE HE READ DOES TALK ABOUT  
10 THE SECURE COMMUNICATION CHANNEL AND IT IS REFERRING TO A  
11 COMPLETELY DIFFERENT CLAIM TERM.

12 AND IF I COULD JUST -- I DON'T KNOW -- ON PAGE 17 OF OUR  
13 BRIEF, YOUR HONOR, WE ACTUALLY LAY SIDE BY SIDE THE FIGURE 1  
14 THAT COUNSEL JUST TALKED ABOUT SHOWING WHERE THEIR  
15 CONSTRUCTION LAYS, WHICH IS RIGHT HERE IN THIS COMMUNICATION  
16 CHANNEL BETWEEN THE SECURE AND UNSECURE PART AND WHERE OUR  
17 CONSTRUCTION IS, WHICH IS TALKING ABOUT THE SECURE PART OF THE  
18 COMPUTER SYSTEM, NOT THE COMMUNICATION CHANNEL BETWEEN THE  
19 TWO.

20 THANK YOU.

21 **THE COURT:** ALL RIGHT. BECAUSE IT IS THE HOLIDAY  
22 SEASON, I WILL ALLOW YOU FIVE MINUTES BOTH SIDES. YOU CAN SAY  
23 WHATEVER IT IS YOU WANT TO SAY BECAUSE I KNOW MR. MC ANDREWS  
24 IS CHOMPING AT THE BIT THERE AND GET UP AND SAY ONE MORE  
25 THING.

1 I WILL SAY YOU ARE BOTH LUCKY, YOU'RE ALL LUCKY YOU  
2 WEREN'T HERE AT THE END OF YESTERDAY WHEN WE WERE ON THE  
3 RECORD FROM 8:30 UNTIL 4:30 WITHOUT LUNCH. SO WE ARE BUSY  
4 THESE DAYS.

5 **MR. MC ANDREWS:** THANK YOU FOR THE EXTRA TIME, YOUR  
6 HONOR. I WILL BE VERY BRIEF ON THE POINT.

7 THIS RELATES TO THE CLAIM ELEMENT "WHEREIN PAYMENT IS  
8 ROUTED TO A FINANCIAL CARD GATEWAY." THIS IS NUMBERED AS ITEM  
9 C IN OUR MAIN BRIEF. I AM JUST GETTING THAT INTO THE RECORD  
10 SO I DON'T HAVE TO READ EVERYTHING HERE.

11 THE ONE THING I DIDN'T TALK ABOUT WHEN I ADDRESSED  
12 PAYPAL'S CONSTRUCTION IS THEIR INCLUSION OF THE QUALIFIER  
13 "WHEREIN PAYMENT IS ROUTED TO A FINANCIAL CARD GATEWAY  
14 AUTOMATICALLY" -- WE DID TALK ABOUT THE GRAFTING OF THE  
15 AUTOMATICALLY LIMITATION IN -- "WHEN A VALIDATION MODULE  
16 DETERMINES THAT THE TRANSACTION CANNOT BE CHARGED TO THE  
17 TELEPHONE BILL."

18 NOW, THIS TERM COMES OUT OF CLAIM 8 OF THE '049 PATENT,  
19 AND I WANT TO RETREAT TO OUR SLIDE OF CLAIM 8 AND TO THE  
20 SPECIFIC LANGUAGE THAT WE TALKED ABOUT EARLIER. IT'S AN  
21 IMPORTANT POINT AND A CRITICAL DISTINCTION WHEN IT COMES TO  
22 WHETHER WE ARE TALKING ABOUT TELEPHONE LINES, TELEPHONE  
23 ACCOUNTS, OR THE TELEPHONE COMPANY.

24 IN THIS CASE, AS WE DISCUSSED EARLIER, THE COMMUNICATION  
25 LINE IS ASSOCIATED HERE WITH AN ACCOUNT. WE ARE JUST TALKING

1 ABOUT AN ACCOUNT ASSOCIATED WITH THE COMMUNICATION LINE.

2 THE OTHER CLAIMS THAT I GAVE YOU BY WAY OF EXAMPLE, YOUR  
3 HONOR, CLAIM 17, CLAIMS 21, AND CLAIM 27 SHOW THE BACK AND  
4 FORTH DISTINCTION OF THE VOLITIONAL LANGUAGE THAT MR. LYNAM  
5 AND HIS CO-INVENTORS CHOSE. IN SOME INSTANCES THEY SAID AN  
6 ACCOUNT ASSOCIATED WITH THE COMMUNICATION LINE OR THE  
7 SUBSCRIBER LINE; IN OTHERS THEY SPECIFICALLY SAID A TELEPHONE  
8 ACCOUNT.

9 TO ADOPT PAYPAL'S PROPOSED CONSTRUCTION ON THIS POINT  
10 WOULD UNNECESSARILY LIMIT THE ENTIRE CLAIM TO A TELEPHONE  
11 LINE, A TELEPHONE ACCOUNT, AND A COMMUNICATION NECESSARILY  
12 WITH THE TELEPHONE COMPANY.

13 UNLESS YOUR HONOR HAS ANY ADDITIONAL QUESTIONS WITH  
14 RESPECT TO THE PAYPAL OR THE PAYMENTONE CLAIMS OR PROPOSED  
15 CONSTRUCTIONS, I THINK WE ARE DONE.

16 HAPPY HOLIDAYS TO YOU AND YOUR STAFF. WE APPRECIATE YOUR  
17 TIME TODAY.

18 **THE COURT:** OKAY.

19 ANYTHING ON THIS SIDE?

20 **MS. BROOKS:** I THINK WE ARE DONE.

21 THANK YOU, YOUR HONOR.

22 **THE COURT:** OKAY THEN. YOU ARE NOW IN QUEUE. SO WE  
23 WILL GET TO YOU AS SOON AS WE REASONABLY CAN.

24 MY BEST INFORMATION IS THAT WE ARE -- THERE'S A VERY GOOD  
25 SHOT THAT WE GET JUDGE TIGAR A VOTE BEFORE THE END OF THE

1 YEAR, IN WHICH CASE THAT WILL BE A GREAT CHRISTMAS PRESENT TO  
2 ALL OF US ARTICLE III JUDGES. MEANS THAT SOMEONE TAKES A  
3 NUMBER OF OUR CASES. YOURS WON'T BE ONE THEM. I WILL KEEP  
4 YOUR CASE BECAUSE WE HAVE NOW GONE THROUGH THE MARKMAN. AND  
5 WE ARE WORKING THROUGH THE BACKLOG, BUT I DID WANT TO LET YOU  
6 KNOW THERE IS A BACKLOG. WE WILL GET TO THIS AS SOON AS WE  
7 REASONABLY CAN.

8 HAPPY HOLIDAYS TO EVERYONE. I SEE YOU DIDN'T BRING THE  
9 YOUNG ASSOCIATE WHO WAS HERE LAST TIME. LET HER KNOW SHE'S  
10 WELCOME BACK.

11 **MR. MC ANDREWS:** OURS, TOO.

12 **THE COURT:** YOURS TOO.

13 **MR. MC ANDREWS:** ASHLEY.

14 **THE COURT:** BRING THEM ALL BACK. TELL THEM I DON'T  
15 BITE. I REALLY DON'T.

16 BUT IN ANY EVENT, HAPPY HOLIDAYS TO EVERYBODY. WE WILL  
17 TAKE IT UNDER SUBMISSION.

18 THANK YOU.

19 **MR. MC ANDREWS:** THANK YOU, YOUR HONOR.

20 (PROCEEDINGS CONCLUDED AT 1:43 P.M.)



**CERTIFICATE OF REPORTER**

I, DIANE E. SKILLMAN, OFFICIAL REPORTER FOR THE  
UNITED STATES COURT, NORTHERN DISTRICT OF CALIFORNIA, HEREBY  
CERTIFY THAT THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE  
RECORD OF PROCEEDINGS IN THE ABOVE-ENTITLED MATTER.



DIANE E. SKILLMAN, CSR 4909, RPR, FCRR

THURSDAY, JANUARY 10, 2013